THE FREEMAN

IDEAS ON LIBERTY

The Case for Happy Endings

The American Educational Establishment, 1993

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DECEMBER 1993

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THE FREEMAN

IDEAS ON LIBERTY

CONTENTS
DECEMBER
1993
VOL. 43
NO. 12

460 **The Economic Way of Thinking, Part 3** *by Ronald Nash*
Understanding what the market system is, and how it operates.

464 **The American Educational Establishment, 1993** *by John Hospers*
A penetrating survey of the current intellectual climate.

470 **Toward a Free Market in Higher Education** *by William G. Stuart*
The alternative to state-delivered, state-financed higher education.

475 **J. Gresham Machen: A Forgotten Libertarian** *by Daniel F. Walker*
A portrait of a prominent defender of political liberty and economic freedom.

478 **Macro Mistakes** *by Roger M. Clites*
Aggregate statistics may have no meaning in an individual case.

479 **Little Lessons in Larceny** *by Russell Madden*
Teaching basic economic principles to young children.

481 **Learning from Experience** *by Ivan Pongracic*
Why have so many so-called intellectuals repeated the mistake of becoming enamored of Communism.

487 **The Case for Happy Endings** *by Karina Worlton*
The benefits of positive, uplifting literature.

489 **A Nation of Children** *by Brandon Crocker*
Americans will eventually discover they cannot be free if they rely on the state to take care of them.

491 **Thomas Chalmers and the Poor Laws** *by Clifford F. Thies*
How a nineteenth-century clergyman achieved success relieving poverty.

494 **Book Reviews**
John Chamberlain reviews *The Rebirth of the West* by Peter Duignan and L. H. Gann; *The Tragedy of American Compassion* by Marvin Olasky, reviewed by Daniel A. Bazikian; and *Failure and Progress: The Bright Side of the Dismal Science* by Dwight R. Lee and Richard B. McKenzie, reviewed by William H. Peterson.

499 **Index 1993**

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PERSPECTIVE

An Ancient Principle

The reason I am opposed to the Federal Department of Education is that it represents a very ancient principle in the field of education, which, it seems to me, has been one of the chief enemies of human liberty for several thousand years—the principle, namely, that education is an affair essentially of the State, that education must be standardized for the welfare of the whole people and put under the control of government, that personal idiosyncrasies should be avoided. This principle of course, was enunciated in classic form in ancient Greece. It is the theory, for example, that underlies the *Republic* of Plato. But the principle was not only enunciated in theory, it was also, in some of the Greek states, put into practice. It is a very ancient thing—this notion that the children belong to the State, that their education must be provided for by the State in a way that makes for the State's welfare. But that principle, I think you will find if you examine human history, is inimical at every step to liberty.

—J. GRESHAM MACHEN
Education, Christianity and the State

The Value of Families

Separation, divorce, and failure to marry, rather than lack of economic opportunity, are responsible for many of the economic problems experienced over the past two decades.

The breakup of the traditional American family largely accounts for the anemic increase in median household income, the failure to reduce the poverty rate more quickly and an increase of 10 percent in the income disparity between rich and poor households since 1970.

In 1969, 70 percent of all households were married couples, 11 percent were single-parent families and 19 percent were non-family.

By 1989, only 56 percent of households were married couples, while the single-parent households had increased to 15 per-

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cent and nonfamily households had mushroomed to 29 percent.

Had it not been for this change between 1969 and 1989:

Real median family income, which increased by only 2 percent, would have increased by 13 percent.

The poverty rate would have dropped from 14 percent to 10 percent instead of 12 percent.

The income inequality between rich and poor households, which grew by 10 percent, would have increased by only 5 percent.

—EXECUTIVE ALERT

The Sins of the Intellectuals

The intellectual leaders of the peoples have produced and propagated the fallacies which are on the point of destroying liberty and Western civilization. The intellectuals alone are responsible for the mass slaughters which are the characteristic mark of our century. They alone can reverse the trend and pave the way for a resurrection of freedom.

—LUDWIG VON MISES

To the Editor:

I am writing in response to "Vietnam: A Fate of Its Own" (May 1993).

In Vietnam, a cab driver had to bribe a policeman $3 to avoid being arrested while transporting foreigners for hire. In America, you have to pay an investor $100,000 for a medallion before going into business, or police will arrest you for cutting in on an unconstitutional, government-protected monopoly.

Sincerely,
TOM ALCIERE

Historic Quotes

Edmund Burke said, "Men qualify for freedom in exact proportion to their disposition to put moral chains on their own appetites. Society cannot exist unless a controlling power is put somewhere on will and appetite, and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters."

Profligacy Hits the Jackpot

With compulsory taxes absorbing so high a proportion of income, it may appear paradoxical to speak of voluntary taxes. But what is a government lottery, if not a voluntary tax? Certainly, a person may avoid the tax by not participating in the lottery.

The state of New York spends millions of dollars each year to try to prevent illegal gambling. One might conclude that the lawmakers believe gambling is an evil which should be suppressed. But no; we find the state permitting and even encouraging certain types of gambling. Bingo is permitted under certain conditions and betting at racetracks where the state gets a heavy "cut" is encouraged.

And now, the statewide lottery to raise money for "education"! The state felt it needed more general revenue than it could raise through its many tax sources. So, why not try a "voluntary" tax like a lottery, and call it "education"? This might remove the onus for some who think gambling is a little bit evil and who do not realize that this is just another way of swelling the general revenues of the state.

Regardless of how one may appraise the moral aspects of gambling, there seems little doubt that a state lottery operates as a regressive tax, taking heavily from the poor, even though voluntarily. Historically, governments that have resorted to lotteries have had in common a tendency toward decadence. The state lottery feeds the idea of "something-for-nothing" already far advanced in this country. From the standpoint of the lawmakers, it is a "last resort," desperation effort to fill the coffers of a profligate state.

—W. M. CURTISS, "Taxation Theory," reprinted in *Taxation and Confiscation* (FEE, 1993)

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IDEAS ON LIBERTY

THE ECONOMIC WAY OF THINKING

PART 3

THE FREE MARKET SYSTEM

by Ronald Nash

Prior segments of this eight-part series explained the nature of economics, especially the way in which scarcity forces us to rank our options and make choices. They also discussed the importance of recognizing that all economic value is subjective. A necessary third step in becoming economically literate includes understanding what "the market system" is and how it operates.

Different Kinds of Markets

One reason some people have trouble grasping the meaning of the word "market" is because the word is used to refer to trading in different kinds of commodities as well as to trading that goes on at increasingly general levels. For example, a mother can tell her son to run over to the market and buy six ears of corn. The owner of that store can tell one of his employees to go downtown and buy twelve dozen ears of corn from the market; in this second case, the market is a single seller (or group of sellers) who wholesales to merchants. The wholesaler may then ask someone to check how corn is doing that day on the futures market. For a single commodity like corn, there are a number of different markets.

Markets differ of course in more ways than size and general level. We speak of different markets for different kinds of things. There are stock markets and bond markets. There is the new car market and the used car market. There are markets in which collectibles like coins, stamps, paintings, and even comic books are traded.

The word "market" in this essay does not refer to any of the specific markets already mentioned, although it does include them. Specific markets are places where two or more people exchange goods and services. The *market* that I'll be discussing is the set of procedures or arrangements that prevail throughout a society which allows voluntary exchanges. In one sense, the market is the framework of customs and rules within which specific voluntary exchanges in specific markets take place. Instead of talking simply about "the market," we could refer instead to the market system.

Dr. Ronald Nash is a contributing editor to The Freeman *and professor of philosophy and theology at Reformed Theological Seminary in Orlando. He is the author or editor of 25 books including* Poverty and Wealth: Why Socialism Doesn't Work *(Probe Books) and* Worldviews in Conflict *(Zondervan).*

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The Market System

What economists call "the market" is not a specific place or thing. Neither is it simply the collection of particular markets in which goods and services are exchanged. Rather, it is a spontaneous and impersonal order of arrangements that serves as the framework within which individual human beings make economic choices.

One example of a spontaneous and impersonal order is an urban traffic pattern. As a city develops and grows over a long period of time, certain traffic patterns evolve. Anyone getting into a car in preparation for a drive across town must make numerous choices in response to such things as one-way streets, traffic lights, stop signs, and speed limits. Such traffic patterns are *impersonal* because they apply to everyone; they were not designed just for college graduates or white people or Presbyterians. The traffic order is also *spontaneous* in the sense that it evolved more as a result of trial and error than as the end product of a 50-year plan. People learned that traffic flowed more safely and smoothly, for example, with a traffic light at one intersection and a stop sign at another.

While the traffic pattern lays down rules, people still have a considerable degree of freedom as to how and where they will drive. The traffic pattern does not force anyone to drive down only one street, for example. This example of an urban traffic pattern illustrates how a spontaneous and impersonal set of arrangements can help produce order, prevent chaos and harm, and still allow for a considerable degree of individual freedom.

What we call the market functions in much the same way. It lays down rules that provide a framework for economic exchanges. Among other things, those rules say that people should not be coerced into making economic exchanges. Such exchanges should be free from force, fraud, and theft. People should honor their contracts.

Economist Ludwig von Mises once referred to the dynamic character of the market by describing it as a process. The market is not static; it is in a constant state of change. How could it be otherwise since behind the actions of people in the market lie the innumerable and constantly changing value judgments of that countless number of economic agents?

No human invented the market process. It is an impersonal social institution in which individual people make economic choices in accord with their personal value scales. The market simply provides the institutional order or the framework of rules within which these choices are made.

The Market and Social Order

One of the more remarkable features of the market is the way it produces order where we might well expect to find chaos. One way to see the emergence of such order is to reflect on the extraordinary way in which the most ordinary wants of people in a free society are satisfied. The reader can do this by making a list of all the goods and services he wants and finds obtainable over a period of several days. My own list would begin with orange juice from Florida, coffee from Brazil, and toast made from wheat grown in Kansas, milled into flour in Illinois, and baked into bread in Tennessee. My list would also include shoelaces, a razor blade, toothpaste, shampoo, clothes, gas for my car, and the paper on which I am writing these words. For each of us, the list would be very long and complicated.

Most of us lack the ability to make or provide most of the goods and services we want. How then do we persuade others to do all these nice things for us? When I go to a grocery store, the things I want are there. This is just as true of the drugstore, the gas station, and the department store. When I need a plumber or electrician or dentist or auto mechanic, someone is there ready to satisfy my want. Do people supply all these nice things because their primary goal in life is to make me happy? I think not. People do all these wonderful things for me because of their prospect of receiving something in return, usually money. And where do I get the money I use to pay all these people? I

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receive it from still other people who pay me for performing some service or providing some good for them. Reflecting about the market in this way helps us better understand the extent to which we depend upon other people. All of us need other people to supply the goods and services we have come to depend on. But we also need people who will pay us for the goods and services that we can supply, thus providing the money we require to pay those who supply our wants.

The Market System and Human Specialization

In more primitive times, people were often forced to provide for all or almost all of their wants through their own effort. And so the same individual might have to make his own clothes, grow his own food, build his own house, and so on. A market economy permits people to specialize in those things they do best. Some people are better at plumbing than they are at teaching philosophy. Some are better auto mechanics than preachers. This specialization enables most of us to do a better job with our time and effort. But this specialization also increases our dependence on others.

Supply and Demand

While it sometimes happens that the supply of some good may be too great or too small, these occasional glitches in the system are short-lived. It is worth pondering why, in a free market system, goods and services are usually available in a supply sufficient to take care of people's wants. We all have heard about people in socialist societies being forced to stand in line for hours to secure small quantities of bread or meat. We also have heard about incredible distribution blunders in socialist societies where all the garbage cans end up in one city and the tops to the cans end up in another. How do we explain the much greater efficiency and order that we find in a free market system? Did anyone plan it this way? Is there some unknown central planner overseeing the entire process of production and distribution whose omniscient and benevolent planning results in almost everything being available when we want it? Since this is not the case, what accounts for the incredible order we find in a free market system that lacks any centralized coordination?

The answer, of course, is that all of this order is the product of the impersonal mechanism we call the market. When things go wrong, the impersonal mechanism soon produces results that remedy the problem. The language of this last sentence should not be taken literally, as though the market itself acted. What happens in a market system is that individual people alter their choices in response to changing incentives. For example, imagine that a commodity like gasoline is suddenly in short supply. If people continued to demand gasoline in the same quantities as before the shortage, prices would rise; perhaps they would rise dramatically. As the rising price of gasoline affects the way consumers evaluated the cost, the quantity demanded would begin to slacken. But the rising price of gas would also serve as an incentive for new suppliers to enter the market. The combination of reduced quantity demanded and increased quantity supplied would serve to remedy the temporary shortage.

The Informational Function of the Market

The market supplies important information via changes in the relative prices of goods. When the price of some good rises, the market is telling buyers and sellers that the good is less readily available relative to the quantity people wanted at its old price. A decrease in price communicates information that the good is less scarce, relative to demand. Increases or decreases in price can result from a number of factors including changes in people's tastes, the discovery of new supplies, or the availability of new information. The reason people enter into market exchanges is to improve their respective situations. When rising prices raise people's perception of the cost of some

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option above a certain point, those who value that option less will begin to consider other alternatives.

Producers of goods and services receive information from the market by also paying attention to profits and losses. Losses tell a business person that something is wrong and that he had better stop and re-evaluate things. Profits and losses give people incentives to act in ways that turn out to benefit society. Wise entrepreneurs will divert resources away from less profitable goods and services towards goods and services that more people want. A market system makes people accountable for their economic activities. When individuals and businesses act in ways that waste resources, they will be penalized by lower wages or profits (or perhaps by even larger losses). One of the major problems with an economic system that concentrates decisions in a group of central planners is that accountability too easily gets lost in the system. But in a decentralized market system, market prices serve to reward people who work efficiently, who plan prudently, who provide goods that others earnestly want, and who act in other economically wise ways.

Summary

I have not been discussing some specific market or collection of markets but *the market system*, the institutional framework within which individual voluntary economic exchanges can take place. This market system is spontaneous in the sense that no human invented it. It is impersonal in the sense that it is supposed not to discriminate for or against specific individuals. Like an urban traffic pattern, it ensures that countless numbers of individual drivers, all seeking their own goals, will reach their destinations in an orderly way. Without any help from any group of central planners, the impersonal market system does a remarkable job of supplying the countless wants of countless numbers of people. It does this by supplying information about people's ever-changing wants and preferences through changes in prices. As buyers and sellers act in ways that they believe will maximize their own benefits and minimize their own costs, extraordinary consequences appear. Goods and services that people want are supplied in ways that many believe possible only when someone with complete and perfect knowledge is issuing orders. But as the collapse of socialism in the past decade reveals, societies that adopt a centralized economy inevitably fall far short of the efficiency of those that follow a decentralized market approach.

Necessary Conditions for Any Free Market

No free market can exist without several necessary conditions. They include an enforced right to own and to exchange property, an enforcement of contracts, and laws that forbid the use of force, fraud, and theft. Government has several important roles to play in all this. It must set up a stable system of rules within which exchanges can take place. Both the market system and the people who trade in the market need protection from the kinds of actions that hinder or prevent free exchange. This requires the existence of a government. But there are also necessary limits to the role of government in the economy. When government exceeds its legitimate role as the maker and enforcer of rules, it can do enormous harm to the economy and can be the source of much injustice. Readers will find articles that discuss the harm that governments do to their economy in every issue of *The Freeman*. Younger readers would profit much by beginning now to compile a list of these harmful acts. □

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THE AMERICAN EDUCATIONAL ESTABLISHMENT, 1993

by John Hospers

After seventy years, Communism is in eclipse in Eastern Europe. The career of the Total State, planned and carried out by Lenin and implemented by Stalin to its maximum extent, is now history, though what will rise up from its death-throes is not yet clear. Henry Hazlitt described dramatically in his 1952 novel *Time Will Run Back* what happens when a forward-looking ruler inherits Stalin's empire. With remarkable prescience Hazlitt delineated the steps which a post-Communist government would have to take to restore a free market to Russia; hardly a word of his account would have to be changed if it were written today.[1] Meanwhile, in other parts of the world, the socialist stranglehold on various economies is being replaced, while not exactly with constitutional republics and a capitalistic economy, at least with regimes less hostile to the conditions for re-establishing economic prosperity.

But not in America. Here taxation and regulation continue apace, and government spending increases in spite of the runaway deficit. The "reality lesson" that hit Eastern Europe has not yet penetrated America, where the clamor for increased government services helped to swing the 1992 presidential election.

The Current Intellectual Climate

One might have expected that American higher education would spearhead the move toward economic freedom. But this has not occurred. The change, as historian Paul Johnson recently observed, "was certainly not the work of intelligentsia, of philosophers, economists and political theorists, or of academics generally. The universities had little or nothing to do with it, just as they had played virtually no part in the first Industrial Revolution of the late eighteenth century. Indeed, while Marxism was being progressively abandoned by the governments which had once ardently propagated it, it continued to be upheld and taught only in that traditional home of lost causes, the university campus."[2]

As one who has taught numerous courses (including courses in political philosophy) on a university campus, I have had many occasions to observe the level of knowledge (or lack of it) among a succession of undergraduate students, and to take note of some

John Hospers is professor of philosophy (emeritus) at the University of Southern California, and author of numerous books, including Human Conduct, Understanding the Arts, *and* Introduction to Philosophical Analysis.

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of the books the students are required to read in various courses. Among the gems of economic wisdom which my students (and those of other instructors with whom I have compared notes) typically bring to these classes as "general background," the following are just a few examples: (1) The reason why so many people are poor is that too many other people are rich. (Wealth is, apparently, a zero-sum game.) (2) The country would be better off if the rich were taxed more. (And if you tax the wealth-creators, what happens to the wealth and jobs and investment in future enterprises?) (3) To get more people employed, the government should put lots of people to work. (But public-sector jobs only increase everyone's tax burden; only the private sector can create more revenue and erase debt.) (4) Businessmen don't have a social conscience. (But they do create jobs—isn't that better than giving people handouts?) These bits of economic wisdom could be multiplied indefinitely.

In the humanities at least, personal wealth is viewed with disdain: it is "noble" to forgo wealth (or at least to say one will do so) in order that prosperity can be "spread out more evenly among the people." It is felt that government should have a tighter hold on the economy, so that income can be distributed more equitably. Many students, when asked whether they would prefer a society in which the distribution of wealth was 5–5–5–5–5 (assuming a society of five people) or one in which it was 5–10–100–500–1000 (as under capitalism), preferred the first, because "at least then no one would have more than anyone else." ("What a dilemma," Manuel Ayau said of this. "Poverty is bad, and everyone wants to see it abolished. Wealth is the absence of poverty. But wealth is evil. Yet only through the accumulation of wealth can investment occur, and without investment, there is only poverty."[3])

Textbooks of the Welfare State

I shall describe briefly just a few of the books that are considered "hot items" in academia, which leave little mystery as to how such ideas are perpetuated. Most of these books are not written for the general reader, and remain quite unknown outside colleges and universities. They are not sold much outside university bookstores, and the public in general is unaware that these publications exist, and of what impact they may have on those who are assigned to read them.

According to Professor Nicholas Rescher, in two books, *Welfare* and *Distributive Justice*, the "problem of production" has been solved; technology will produce all the goods and services we need. The only remaining problem, he says, is that of distribution. The author then devotes his energies to determining how our "national resources" can be equitably distributed among the population.[4]

What should be the criteria for making this distribution? The first plausible criterion, he believes, is that of *equality*—that every person (or family?) should receive an equal income, just as everyone should be equally protected against crime. Satisfying this criterion would require the government at regular intervals to take from those who have more in order to give to those who have less, thus making poverty obsolete. Another plausible criterion is that of *effort*; people who work longer or harder should receive more than those who do less or do not work at all. There is, of course, a conflict between these two criteria in practice, and some accommodation between them must be effected. Still another suggested criterion is "*conduciveness to the common good*": those who engage in activities helpful to others (such as social work) should be encouraged in their efforts by receiving more than those (such as manufacturers) who are not engaged in such socially constructive activity. And hovering over them all, there is the criterion of *need*: surely those who need more should receive more, and it should come from those who do not need it. He follows Anatole France's dictum that "no one should have cake until everyone has bread."

I will spare the reader the details of the

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analysis by which these various apparent conflicts are thrashed out. Common to them all is the assumption that the government should control the economy in the interests of "social justice." Not everyone's income need be equal, but no one should lack economic goods, and only the government is in a position to enforce the kind of distribution required if everyone is to escape poverty.

The most influential book in political philosophy of the past half century is John Rawls' *A Theory of Justice*.[5] Rawls proposes a semi-socialistic scheme in which everyone's "basic needs" are assured by the government. There can be some inequality of condition, but this inequality is subject to strict limitations: "All social primary goods—liberty and opportunity, income and wealth, and the bases of self-respect—are to be distributed equally unless an unequal distribution of any or all of these goods is to the advantage of the least favored."[6] In deciding on any social policy, "we are to adopt the alternative the worst outcome of which is superior to the worst outcomes of the others." The utilitarian rule "the greatest happiness for the greatest number" is transformed into "the greatest good for the least advantaged persons in society." If the least advantaged persons in society are not benefited by a given policy, it should not be adopted, no matter how many other persons it may benefit. "Consider the worst that can happen under any proposed course of action, and decide in the light of that."

Rawls does not provide examples, and we are left to wonder exactly how this would work out in practice. Almost any innovation that has lightened mankind's drudgery and heightened his standard of living has surely made some people (however few) worse off than before. Surely the makers of buggies and covered wagons were "disadvantaged" by the invention of the automobile, just as the makers of sailing ships were made worse off by the invention of steamships a century earlier. If one were to prohibit any innovation that made a person or group worse off than they would have been without it, it would be difficult to find an example that would not be on the prohibited list.

A recent book in the same area is James Sterba's *How to Make People Just*,[7] which has won enough academic publicity to be the subject of an entire issue of the journal *Social Philosophy*.[8] Sterba divides society into two groups, "the rich" and "the poor"; sometimes he refers to the first group as "the fortunate" and the second as "the disadvantaged." The primary task of government is to make the second group less disadvantaged by making the first group less fortunate. The members of the first group are regularly referred to as "the exploiters." "Capitalist exploitation," says Sterba (p. 57), "differs from criminal activity only in that it is supported by conventional standards." And if the capitalist exploiter refuses to turn over a portion of his income to these "disadvantaged," then the disadvantaged have the right to take it away from them by force. "What is at stake is the liberty of the poor not to be interfered with when doing what is necessary to satisfy their basic needs from the surplus possessions of the rich" (p. 86).

The entire discussion proceeds from the point of view of the consumers of wealth (what are their needs and how can these be satisfied?) and never the producers of it. Indeed, capitalists are not recognized at all as the producers of wealth or providers of jobs or creators of capital to fulfill the desires of consumers. The producers of wealth are treated merely as means to the satisfaction of the needs of the non-producers. Any time or effort or planning they may have put into the process of production is never mentioned—they are milch-cows to be valued only for the goods and services that can be extracted from them. The fact that when the extraction has become very great, production falters or ceases, is never considered even as a possibility, and no historical lessons on this subject are ever cited. It is apparently assumed without question that the process of production will just go on and on, regardless of whether the producers are ever permitted any reward for their efforts. Nor is there any sense that under capitalism the standard of living has grown enormously, so much that most things

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that today's Americans take for granted would have been undreamed of in George Washington's day:

> George Washington never heard of calories or vitamins; he lived on meats and starches through every winter; he never saw a glass of orange juice; his diet was so deficient that he lost his hair and teeth at an early age. His clothes were uncomfortable and unhygienic. He traveled on foot, on horseback, or in a springless carriage. His house had no toilet or bathtub, no furnace or heating stove, no light but candles. What was his standard of living? It was so high that forty years ago not one American in ten thousand aspired to it.[9]

Poverty—A Decree of Fate?

A question that leaps out (at one reader at least) of every page of Sterba's book is a question he never asks: How did they ("the rich," "the poor," "the advantaged," "the disadvantaged") get that way? Is their condition the result of an inexorable decree of fate, or could they possibly have done something, or failed to do something, which placed them in their present position—and if so doesn't this matter?

In the choices we make from day to day as individuals, we try to distinguish various degrees of worthiness among the candidates for our assistance. If a person we know is suddenly unemployed through no fault of her own, or if a person is ill or so handicapped as to be unable to work, then, if we are able, we give help to the person. But we do not always feel obliged to do so even if we are able: if we have warned a person against a course of action, and he embarks on it anyway and suffers financial hardship as a result, we do not feel as moved to assist him as we would if he was a victim of (for example) a paralytic stroke. Or if he is able-bodied but is looking only for that special highly paid job that alone will reward his great talents, and he refuses to accept any other, or if he refuses even temporarily to do labor that he finds "demeaning," we may be less than sympathetic to him in his present plight. If a person can keep a job for only a day or two because, having spent years taking mind-altering drugs so that now most of his brain is gone, and he now lacks the span of attention required to understand even the simplest directions, we may be less inspired to help him than if his past behavior had nothing to do with his present condition. Rough classifications such as "the poor" and "the unemployed," which pervade virtually all of the current crop of textbooks, are not specific enough: they do not distinguish among the causal factors that led to a person's being assigned this classification.

Describe the specific case for me in detail, and only then may I know what to say; if I know only that he is poor, I do not yet know what I need to know to judge the case, or even to judge whether the fatalistic term "disadvantaged" applies to him. One first has to dig a bit to get the facts. "They *make* me unemployed," he may say; "if they'd lend me the money to buy a truck I'd make the payments every month, but they won't do it" (implication: it's their fault). Perhaps what he says is true; yet it is possible that there are good reasons why he is denied credit—perhaps he quit previous jobs on an impulse ("I want to be free"); perhaps he would have a few extra drinks at the bar instead of making that required repair on his vehicle, as a result of which it would not function the next day when he needed it most for an important job.

The variations are endless. It may take some time for the uninitiated to discern the pattern in the lives of many people which keeps them in the category "the less fortunate." When one sees this, one cannot simply blame the economy, or the bankers, or the hard-hearted employers; one must pinpoint the person himself, and reflect that these patterns of action which lead always to unemployment arise from within himself (perhaps it's easier to complain and collect welfare than to get up for work early each morning?). If one buys his story and helps him, and he is in the same situation again in a few days or weeks, may there not be a lesson in this? Sterba's proposal, that we should all be required by law to help him (and all those like him), as long as his income

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falls below a certain level, will only perpetuate his inclination to dependency. Simply placing people into two classes—those who should receive, and those who should be made to give to those who receive—fails to consider these countless factors that are essential to making considered judgments on a case-by-case basis.

In our voluntary dealings with others, we feel free to exercise our individual judgment as to whether a certain person, all things considered, should be found worthy of our help. Sterba, like predecessors, rejects individual help voluntarily provided, in favor of help to all persons in a prescribed class ("the poor") provided through the coercive machinery of the law. We are no longer permitted to exercise our individual judgment about the cases before us. We are required to help sustain all those in a given category, and not permitted to consider what are the conditions which brought them into that category. But the thrust of all this is the very opposite of what it should be; the first question to ask, I suggest, is always a specific one: Does this person, in this circumstance (say a man who is able-bodied but rather disinclined to labor) deserve to be supported at public expense? Would *you* support him in these circumstances? If not, what is your justification for passing a law that requires *everyone* to support him?

One might summarize the attitude of the proponents of such a law: "The cause I believe in is so important that I will gladly force you to pay taxes to support it." One may judge for oneself how noble this liberal rallying cry really is.

Concluding Reflections

There are many other reflections that would be too obvious to mention to readers of this magazine, but deserve mention here because they remain virtually unmentioned in the current crop of textbooks. (1) Once welfare programs become generally available, the class of "the poor" soon becomes much larger than before. When something is available without cost, people outdo one another to receive it. (2) Care of the poor can come only from the surplus of production; it is on this surplus that all charity depends. One would think, then, that every effort would be made to ensure that the source of this bounty remain secure. But such concern is seldom hinted at. It is not seen that the final outcome of income-equalization is "splendidly equalized destitution" for everyone, and that this is the inevitable consequence of plundering those who have produced the world's goods in order to give them to those who have not. (3) Nor is there any recognition, in speaking of "society's goods" (with a view to how these can be distributed) that "society" is only a collection of individuals—that all production is the result of the labor of individuals. The collectivistic assumption ("we all did it together") is simply false.

It is difficult to escape the conclusion that if followed through consistently, the world that Sterba and the others recommend would be a depressing one to live in. It would be a world characterized by original sin—social, not theological; a world in which every new individual born adds to the burden each of us must bear. I am not responsible for that new person being born (I may even have championed population control), yet I am obliged to help take care of that person's needs, and do without many of the good things life has to offer in order to provide for each of these person's "basic needs" (however "basic" may be defined):

> Do you care to imagine what it would be like, if you had to live and to work, when you're tied to all the disasters and all the malingering of the globe? To work—and whenever any man failed anywhere, it's you who would have to make up for it. To work—with no chance to rise, with your meals and your clothes and your home and your pleasure depending on any swindle, any famine, any pestilence anywhere on earth. To work—with no chance for an extra ration, till the Cambodians have been fed and the Patagonians have been sent through college. To work on a blank check held by every creature born, by men whom you'll never see, whose needs

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you'll never know, whose ability or laziness or sloppiness or fraud you have no way to learn and no right to question.[10]

Sterba begins with the noble thought that no one should want, that everyone should be economically secure—and concludes that economic security is everyone's right. The rich, apparently, have economic security already, and Sterba's task is to make sure that it is also provided for the poor. But surely the truth is, that no one in the world has a very high degree of economic security. In the attempt to provide it for everyone, there is great risk that those on whom everyone depends for goods and service will lose it, with catastrophic results for everyone. In fact no one's economic future is very secure, as Rose Wilder Lane brings out dramatically:

> Anyone who says that economic security is a human right, has been too much babied. While he babbles, other men are risking and losing their lives to protect him. They are fighting the sea, fighting the land, fighting diseases and insects and weather and space and time, for him, while he chatters that all men have a right to security and that the government must give it to them. Let the fighting men stop fighting this inhuman earth for one hour, and he will learn how much security there is.
>
> Let him get out on the front lines. Let him bring one slow freight train through a snowstorm in the Rockies. Let him drive one rivet to hold his apartment roof over his head. Let him keep his own electric light burning through one quiet cozy winter evening when the mist is freezing to the wires. Let him make, from seed to table, just one slice of bread, and we will hear no more from him about the human right to security.
>
> No man's security is greater than his own self-reliance. If every man and woman did not stand up to the job of living, did not take risk and danger and exhaustion and go on fighting for one thin hope of victory in the certainty of death, there would not be a human being alive today.[11]

The tragedy of today's welfare-society planners is that they remain quite unaware of the kind of society to which, if their plans were fulfilled, they would be condemning the very groups of individuals whom they take such pains to protect.

When one reads with wearisome repetitiveness such recommendations for a socialist or semi-socialist society, one turns with relief to other sources, largely unmentioned in the halls of Academe, in which sanity is restored. Students have never read Bastiat, or even been informed that such a man existed; yet one sentence of the rigorously elegant prose of Bastiat seems worth thousands of words spewed forth by those who have too long ignored him. He expressed the fundamental principle with incomparable clarity:

> Man struggles against pain and suffering. However, he is condemned by nature to suffering and to privation if he does not take upon himself the effort of work. Hence he has only the choice between two evils . . .
>
> Up to now, however, no remedy has been found for it, except for one man to avail himself of the work of others . . . so that all work is for the one and all enjoyment for the other. Hence [we have] slavery and robbery.
>
> [Today] the oppressor no longer directly compels the oppressed through his own strength. There is still a tyrant and a victim, but now the state, i.e. the law itself, is placed as a mediator between the two. What could be better for the purpose of stifling our doubts and vanquishing all resistance? We turn to the state and say to it: I find that between my enjoyment and my work there exists no relation that satisfies me. In order to bring about the desired balance, I would like to take away a little from others.
>
> However, that would be dangerous were I to do it myself. Can you, state, facilitate matters for me? Can you not assign me to a favorable position, or

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assign a more unfavorable one to my competitor? Can you not grant me a special "protection" and, not without plausible reason, lend me capital which you have taken from its possessors? Or, can you not educate my children at public expense? or guarantee me a carefree life from age 50 onwards?

In this case the law would be acting for me, and I would have all the advantages of exploitation without its risks and its onus.[12] □

1. Henry Hazlitt, *Time Will Run Back*, Appleton-Century-Crofts, 1952. Reprinted by Arlington House. Also published as *The Rediscovery of Capitalism*.

2. Paul Johnson, *Modern Times: From the Twenties to the Nineties*, revised edition, Harper, 1991, p. 698.

3. Manuel Ayau, president of the Universidad Francisco Marroquín, Guatemala City, in a university pamphlet entitled "Yes, We Have No Bananas."

4. Nicholas Rescher, *Distributive Justice*, Bobbs-Merrill, 1966, and *Welfare*, University of Pittsburgh Press, 1969.

5. John Rawls, *A Theory of Justice*, Harvard University Press, 1971.

6. Rawls, *op. cit.*, p. 62. There are many other aspects of Rawls' view. I discussed some of them in my review of Rawls' book in *The Freeman*, December 1973 issue (pp. 751–758).

7. James Sterba, *How to Make People Just*, Rowman & Littlefield, 1988.

8. *Social Philosophy*, fall 1991 issue.

9. Rose Wilder Lane, *The Discovery of Freedom*, Arno Press and New York Times, 1943, p. 25.

10. Ayn Rand, *Atlas Shrugged*, Random House, 1957, pp. 669–670.

11. Rose Wilder Lane, *op. cit.*, p. 60.

12. Frederic Bastiat, "L'État," in *Journal des Débats*, September 15, 1848.

Toward a Free Market in Higher Education

by William G. Stuart

My state runs a special welfare program. Everyone who wants to participate in the system is eligible to apply, and most applicants who agree to abide by the program rules are accepted. Family income is not considered in determining eligibility. In fact, those with higher family incomes are much more likely to apply for and be accepted into this program than those with lower family incomes. Are you ready to move to Massachusetts to participate in this program? You do not have to move. Your state offers the same program—and you may have received benefits already.

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This program is state-financed, state-delivered higher education. Few people view public higher education as a welfare program. In its design, however, it is like any other "collectivist" program in which people participate involuntarily: individual benefits in no way reflect costs; subsidized prices distort the decision-making process; and collective public political consensus is substituted for the private judgments of individuals.

At first, it seems outrageous to criticize something as imbedded in the fabric of American life as higher education. After all, land-grant universities were among the first institutions established by the governments of most post-colonial states. People under-

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stood that everyone usually benefits when more people gain more knowledge. A more educated society, the argument goes, translates into better civic decisions, better election results, and a more highly skilled work force—all factors that improve quality of life and positively affect the lives of every resident of a particular state. Higher education, according to this line of thinking, benefits everyone, and society must find a way to support increased levels of higher education and design a mechanism whereby those who do not pursue higher education but receive the "spillover" benefits are assessed part of the costs of this windfall.

The analysis must not stop there, however. The state higher education system is a collectivist system. Government extracts money from all citizens according to specific formulas—such as income and sales taxes—completely unrelated to the benefits that they derive personally from a specific program such as higher education. Government then distributes benefits—in this case, subsidized education—to specific members of the population, regardless of their level of usage. This system creates inefficiencies that distort economic calculations and make society poorer, not richer.

Public vs. Private Higher Education

In a free education market, "consumers"—students and their families—make decisions based on the costs and benefits of each option. Most likely, they project the expected future income stream of the student both with and without higher education to determine whether that education is a sound investment. Inputs into this calculation may include the student's native intelligence, her preferred course of study, her determination and the projected job prospects in her field. (Other criteria, such as achieving a certain status or finding a suitable mate, may be included in this calculation; these factors are benefits that fit into a calculation of the economic value of an education.) Students and their families then evaluate the characteristics of various institutions to project which one will provide the greatest ratio of benefits to costs.

In the state-financed education market, the calculations are altered to produce vastly different results as inefficiencies are transferred from students directly to taxpayers. First, the family of a student is paying only a fraction of the cost of public higher education. This subsidy skews the analysis: Educating a marginal student may result in a positive projected economic gain with subsidized tuition, whereas the projected return on his education is negative when his family bears the entire cost. Second, courses of study that are less valued by free consumers and therefore provide a lower projected future income stream—the humanities or social sciences, on average, do not generate the same lifetime economic returns as do natural sciences and engineering—become more attractive because the cost of achieving that lower level of future income is itself reduced.

In a free education market, colleges compete aggressively for students. As with any other business serving consumers, they attempt to design a product—a combination of level of academic difficulty, tuition level, quality of student life, extracurricular activities, off-campus study programs, curricular innovation, financial aid, placement record at graduate schools and businesses, and other academic and social factors—that will appeal most to the consumers whom they are trying to attract. Colleges respond constantly to new academic, professional, and social trends in order to redefine their educational product to attract the students whom they want to enroll. The future success of these institutions largely depends on their ability to design an offering that meets the preferences of their target audience.

Public institutions of higher education distort this process. Because these schools are supported by taxpayers and therefore provide subsidized tuition, public universities have a competitive advantage relative to private colleges. Private colleges can design an educational product superior to a public institution in every way, including real costs, but because of subsidized tuition at

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public universities, many students choose the lower-priced option when the direct benefit-to-cost ratio is lower to them personally. The effect is to create a two-tier system of education, in which private colleges compete with other private colleges and public universities compete with other public universities. The benefits of pure competition to students as consumers are diluted by creating two separate markets.

Further, because public universities are operated by government, they are controlled ultimately by politics. Thus, students and campus administrators are robbed of the market mechanisms that create the most efficient allocation of resources and that allow private institutions to craft a product that meets student needs best. Decisions about where to locate a campus, which campuses in the system should offer which courses of study and what standards to impose at each campus are made by politicians rather than by students and their families. Changes in the product that an institution offers students ultimately are shaped by state legislators and state department of education bureaucrats rather than by the calculations of individual consumers. Administrators at these campuses are not able directly to control much of the product that they offer to students.

The system of financing public higher education places a further competitive disadvantage on private colleges. A family that wants to send a child to a private college must pay taxes to subsidize the educational costs of other students in public higher education and then must pay the entire cost of educating him at a private college. By contrast, the family of a public university student pays a subsidized tuition and taxes to support the subsidy—a total far less than the true cost of educating him.

A Poor Investment for Taxpayers

The public higher education system is not a good investment for taxpayers. The system often is defended on the basis that people who acquire more education will earn more and therefore pay more in taxes during the course of their working lives, thus "paying back" the initial investment that taxpayers made in them. This argument misses the mark: The benefits and costs of higher education are in no way related. Because benefits are not tied to costs, and because there is no contractual obligation, any relation between direct taxpayer support of the system and indirect taxpayer benefit is purely coincidental.

Why? First, there is no guarantee that a student will work in the state in which he receives his education. It is quite likely in our mobile society that he never will "repay" as much in future taxes to that state as he took in subsidized tuition. Second, the taxpayers whom he supposedly will "repay" are not, in many cases, the same taxpayers whose money financed his education, inasmuch as these people move as well. Third, this argument treats all education as equal, when clearly it is not. A doctor or an engineer, for example, will return far more value, as measured by the income that free consumers choose to award producers, to society on average than will someone trained in Asian studies or art history. The public higher education system, however, does not distinguish between the returns of each academic field and thus does not capture the disparate economic impact of these different courses of study. Fourth, some students attend public institutions on a full-time or part-time basis for other than academic reasons—to develop an active social life, to find enrichment completely unrelated to their career interests, for example—and thus will not return to the state treasury any meaningful economic benefits from the public money spent to subsidize their educations.

The argument that society should subsidize higher education because everyone in society benefits indirectly from a more educated populace is not valid, either. Society benefits whenever someone develops a more efficient automobile or a more powerful personal computer, but the inventor or financial backer of the innovation benefits directly, and to a greater extent. Similarly,

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people who are more educated will, on average, achieve a higher level of income, a higher standard of living, and increased status for themselves and their families. There is no reason why the direct beneficiaries should not bear the entire burden of the investment required for them to achieve this direct, personal benefit. That everyone benefits indirectly from the success of those who are highly educated is no reason to require everyone to subsidize these specific individuals.

Those who defend public higher education make one final argument: that the subsidized tuition opens educational opportunities to many students who otherwise could not afford to better their stations in life. This argument is deceptive and misleading. First, public institutions generally offer less financial assistance than private schools. While a lower-income student often can attend a private college at little out-of-pocket expense, thanks to healthy financial aid endowments and budget commitments that result in a plethora of grants, scholarships, loans, and campus jobs, that same student may well find that the reduced level of aid at a public university actually will raise the out-of-pocket cost of the public institution above that of the private institution. Second, again, the subsidized public higher education system hides the true cost of the education. It forces taxpayers to subsidize the educations of all students, including the individual who cannot "afford" education because he cannot find an investor—relative, employer, or financial institution—who believes the benefit from that student's education never will equal the costs of educating him. Third, this argument ignores the reality that a family with $200,000 income pays the same tuition as a family with a $30,000 income—hardly a fair deal for taxpayers or low-income students.

What Is the Alternative?

Fortunately, there is an alternative to the current system that will improve the system by liberating consumers—students, their families, and their benefactors—and remove non-consumers—politicians and taxpayers—from shaping and financing higher education. The alternative is to abolish government regulation of higher education and sell public universities to private operators, who then will organize the institutions to compete effectively with private colleges for students. These operators probably will be similar to other non-profit organizations. Instead of focusing on the needs of wildlife or disabled people or victims of domestic violence or refugees, they will direct their efforts toward providing students with a portfolio of skills. As with existing private colleges, some will be affiliated with religious, service, or organizations and foundations, while others will be independent and self-governing. Some programs, particularly at the graduate and professional level, may be affiliated with, or owned by, particular companies or business associations to train students for specific careers. In all cases, the owners and operators will offer a product that prospective students and their families will be free to accept or reject—without being forced to support the product financially.

This new system will benefit nearly every state resident. Citizens who do not wish to purchase higher education will be relieved of the tax burden imposed to finance others' consumption of this product. Those parents who are supporting children in private colleges and universities no longer will have to be responsible for their children's education *and* a portion of the tuition of the children, parents, grandparents, aunts, and cousins of their neighbors. Education administrators and visionaries with market-based, rather than politically based, ideas about how to craft a higher education product will benefit by realizing new opportunities to respond to consumers.

As with any change, some people will be hurt by this new system. Politicians accustomed to wielding budgetary and regulatory power over the state university system will lose their ability to exert influence as consumers assume the decision-making authority. Perennial students who enroll in one or two classes to delay their entry into the

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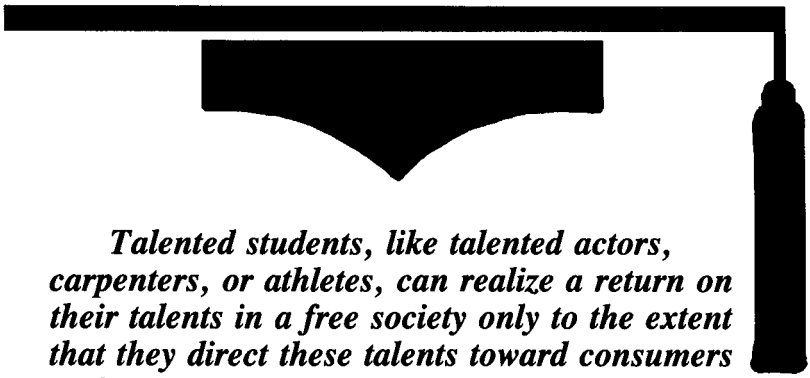

Talented students, like talented actors, carpenters, or athletes, can realize a return on their talents in a free society only to the extent that they direct these talents toward consumers who are willing to pay for them voluntarily.

working world will see their subsidized existence evaporate. Marginal enrollees who attend class for "enrichment" or "to meet people" or to "broaden their horizons" will find that taxpayers no longer will subsidize their hobbies. Administrators and faculty members who have built careers around responding to political influences will have to adjust their thinking as the market of free education consumers sets the rules and expectations in the new education market.

Another group of people—those bright students from families of limited means to whom a taxpayer subsidized education appears at first glance to be the only means of improving their stations in life—may appear to be harmed by the free market. In reality, these students will benefit from the new system in several important respects. First, with fewer marginal students pursuing higher education, the value of a degree will rise, thus increasing both entry employment opportunities and lifetime earnings projections of graduates, thereby justifying the higher levels of investment by the students or other investors. Second, these students will be able to keep more of their future income because succeeding generations of residents who want to purchase higher education will not be able to make an economic claim against their earnings. Third, entrepreneurs will create new opportunities for students to finance their educations. Colleges will become more integrated with work in cooperative education programs. Businesses will invest in students' educations in exchange for future employment service. Lenders will design loan programs with repayment based on lifetime earnings—thus creating a partnership between student and lender. Colleges will reduce costs by specializing in specific courses of study, limiting non-academic offerings, developing new modes of presenting information and redefining the notion of a campus. In short, entrepreneurs who see a group of attractive consumers—smart students—will develop programs to deliver an education product on terms that these students can justify in investment terms.

The final argument for this new (or, more properly, this return to the American) approach to higher education is the justification for personal freedom in every aspect of life. It is important to understand the precept of a free society—that no level of talent, achievement or need entitles a person to make an economic claim against an unwilling payer. Talented students, like talented actors, carpenters, or athletes, can realize a return on their talents in a free society only to the extent that they can direct these talents toward consumers who are willing to pay for them voluntarily.

An understanding and acceptance of this precept is the most important and valuable lesson that anyone in a free society can learn. What better way to learn that lesson than in the pursuit of higher education. □

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THE FREEMAN
IDEAS ON LIBERTY

J. Gresham Machen: A Forgotten Libertarian

by Daniel F. Walker

"Everywhere there rises before our eyes the spectre of a society where security, if it is attained at all, will be attained at the expense of freedom, where the security that is attained will be the security of fed beasts in a stable, and where all the high aspirations of humanity will have been crushed by an all-powerful state."[1]

Meet J. Gresham Machen, a leading conservative Christian theologian who led the battle for historic Christianity early in this century.

Machen is often overlooked today, except by those familiar with the world of Reformed Protestant Theology. Such books of his as *The Origins of Paul's Religion* and *The Virgin Birth of Christ* ("monuments to careful historical research and argumentation," according to historian George Marsden) are periodically reprinted, as is his classic *Christianity and Liberalism*, a defense of historic Christianity against theological unbelief.

Following undergraduate studies at the Johns Hopkins University, Machen received theological training at Princeton Seminary (in his days a citadel of conservative Calvinism) and post-graduate studies in Germany. A career in Princeton academia and years of doctrinal battling in the Presbyterian Church followed. Years passed, theological stands changed at Princeton; eventually the leftward drift compelled Machen to leave both Princeton and the Presbyterian Church to help found Westminister Theological Seminary and the Orthodox Presbyterian denomination.

Historian George Marsden refers to Machen's political views as "radically libertarian. He opposed almost any extension of state power and took stands on a variety of issues. Like most libertarians, his stances violated usual categories of liberal or conservative."[2]

Following the impulses of his family heritage, which was rooted in the South, Machen tended to place state sovereignty before that of the federal government; in letters he indicated a belief that the Southern states properly exercised their constitutional authority to attempt secession. Most importantly, Machen favored individual rights and families over governmental powers.

Machen detested governmental control of individuals; as he stated in the introduction of *Christianity and Liberalism*, "Personality can only be developed in the realm of individual choice. And that realm, in the modern state, is being slowly but steadily eradicated."[3]

Machen minced no words. Of the "dreary

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regularity" of one of his favorite nature preserves after the federal government made it a national park, Machen wrote, "I almost feel as though I were in some kind of penal institution. I feel somewhat as I do when I am in Los Angeles or any of the over-regulated cities of the West, where pedestrians meekly wait around on the street corners for non-existent traffic and cross the streets only at the sound of the prison gong."[4]

Long before the federal Department of Education was finally created in the 1970s, efforts had been made to establish it in the 1920s. Machen vigorously opposed those efforts in published letters, essays in national magazines, speaking engagements, and in an appearance before a joint Congressional committee. There, Machen warned against government control over young people: "If you give the bureaucrats the children, you might as well give them everything else as well."[5]

A national department of education was not the only government intrusion into education which drew Machen's opposition. The "Lusk Laws" of New York which would have compelled private schools to obtain state licenses, and Nebraska's Language Law (ruled unconstitutional by the U.S. Supreme Court) which prohibited teaching a foreign language to any pre-9th grade student, were both cited by Machen as examples of improper but not unexpected government interference in the learning process. While not opposing locally operated public schools per se, Machen set forth his position regarding school and state in no uncertain terms:

> Place the lives of children in their formative years, despite the convictions of their parents, under the intimate control of experts appointed by the state, force them to attend schools where the higher aspirations of humanity are crushed out, and where the mind is filled with the materialism of the day, and it is difficult to see how even the remnants of liberty can subsist.[6]

In an era of considerable federal and state control over schooling, with powerful teachers' unions and their fascination with method rather than substance, Machen's words ring just as true today as when he wrote them over 60 years ago.

WESTMINSTER THEOLOGICAL SEMINARY

J. Gresham Machen

The trend of declining personal liberty and a confused public understanding of "equality" deeply worried Machen. He was "dead opposed" to the concept of equal opportunity; he described himself as "old-fashioned in my love of freedom. I am opposed to the attack on freedom in whatever form it may come."[7] Theological conservatism opposed statism in Machen's political views. In an age when many favored Prohibition, Machen opposed it—an act which did not help his career. During World War I, he opposed the military draft, describing it as one of the things he opposed more "than anything else in the world," not only because of "the brutal interference of the state in individual and family life which that entails" but also because "[o]nce established, a policy of conscription would for various reasons be almost incapable of being abandoned."[8] When the Secretary of Labor in 1925 advocated the "enrollment" of aliens, Machen opposed it on the basis that it would ultimately lead to citizens having to maintain "proof" of citizenship akin to many Europeans having to "show their papers" issued by the state. Little did

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he know how he anticipated the infamous Social Security card and number.

In the 1920s considerable support grew for a Child Labor Amendment, essentially allowing Congress to ban anyone under age 18 from employment. In a letter published in the *New Republic*, Machen wrote:

> The approval of the amendment would indeed be economically a very great benefit to one class in the population—namely to the vast army of federal agents and inspectors which any exercise of the powers conferred by the amendment would require. The federal agents would be economically benefited; but American liberty and the sanctity of the American home would be gone.[9]

Machen was not one to be fooled by labels falsely worn (he attacked theological liberals who called themselves "Christians" while attacking the Bible) nor by complacency; perhaps because he saw theological liberalism infect mainline Protestant denominations despite its multitude of profound differences with the historic Christian faith, Machen feared the expansion of government power under a name other than that of socialism. As he wrote in *Christianity and Liberalism*:

> . . . the same tendency exhibits itself today even in those communities where the name of socialism is most abhorred. When once the majority has determined that a certain regime is beneficial, that regime without further hesitation is forced ruthlessly upon the individual man. It never seems to occur to modern legislatures that although "welfare" is good, forced welfare may be bad. . . . in the interests of physical well-being the great principles of liberty are being thrown ruthlessly to the winds.[10]

The parallel rise of theological liberalism and the growth of governmental power in this century in America, it could be argued, was hardly coincidental. Historic Christianity was abandoned by theological liberalism, and the "Social Gospel" movement—having given up on the Gospel—wished to impose its own vision of the City of God here on earth. Biblical authority was weakened; a governmental authority filled the void.

Looking back, it is no surprise that Machen—whose primary battles were in the theological arena—was compelled to wage secondary battles against ever-increasing government power.

Machen's untimely death at age 55 occasioned words of respect not only from friends but also from opponents noted for their dismissal of religion. Of Machen, the acerbic H. L. Mencken said, "Though I could not yield to his reasoning I could at least admire, and did greatly admire, his remarkable clarity and cogency as an apologist, allowing him his primary assumptions."[11]

Writer Pearl Buck's assessment of Machen said much. "The man was admirable. He never gave in one inch to anyone. He never bowed his head. It was not in him to trim or compromise, to accept any peace that was less than triumph. He was a glorious enemy because he was completely open and direct in his angers and hatreds. He stood for something and everyone knew what it was."[12]

Machen is one of many prominent American defenders of political liberty and economic freedom who have been largely forgotten by a people intent on abandoning its heritage of freedom. □

1. J. Gresham Machen, *Christian Faith in the Modern World* (Grand Rapids: Wm. B. Eerdmans, 1936), p. 11.
2. George Marsden, "Understanding J. Gresham Machen," *The Princeton Seminary Bulletin* XI: 1 (1990), p. 54.
3. Machen, *Christianity and Liberalism*, p. 11.
4. John W. Robbins, *Education, Christianity, and the State: Essays by J. Gresham Machen* (Jefferson, Md.: Trinity Foundation, 1987), p. 128.
5. Henry W. Coray, *J. Gresham Machen: A Silhouette* (Grand Rapids: Kregel Publications, 1981), p. 50.
6. Machen, *Christianity and Liberalism*, pp. 13–14.
7. Coray, p. 49, quoting from a personal sketch of Machen in *Contemporary American Theology* (New York: Arne, 1933), p. 145.
8. Ned B. Stonehouse, *J. Gresham Machen: A Biographical Memoir* (Grand Rapids: Wm. B. Eerdmans, 1954), p. 247.
9. J. Gresham Machen, "A Communication: Child Labor and Liberty," *The New Republic* (December 31, 1924), p. 145.
10. Machen, *Christianity and Liberalism*, pp. 10–11.
11. Coray, p. 126.
12. *Ibid.*, pp. 126–127.

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THE FREEMAN
IDEAS ON LIBERTY

MACRO MISTAKES

by Roger M. Clites

You and I and everyone else live, produce, and consume as individuals, but macro-analysts—economists, statisticians, politicians, and others—insist on looking at us in terms of groups or averages. They then reach conclusions, develop policies, and give advice based on statistics that may have nothing to do with the situation of any individual. No family has 2.3 children. Perhaps no one in the entire country earns the average income. Too often those who are unaware of the nature of macro-economics are led to make decisions which adversely affect their lives. In the case of politicians they may adversely affect millions of people's lives, even entire national populations.

The following is a personal example of how aggregate statistics may have no meaning in an individual case. Twenty years ago a college where I was teaching went bankrupt. I was one of the fortunate few who was able to dispose of a home in the depressed housing market in the small town where the school was located. A friend in another state suggested that I might base myself at his home while I looked there for another teaching position. Another person advised me not to move out of state. She noted that the unemployment rate in the state where the bankrupt college was located was the lowest in the nation at that time, 2.8 percent. The rate in the state where my friend lived was about twice that high.

But my goal was not to apply for all the job openings in the state. I needed only one job. As things turned out I located my next teaching assignment in the state with the highest unemployment rate, a double-digit figure.

The averages, the aggregate, the "big picture" were not important to me. I was looking for just one job. Had I stayed at my former location I might not have learned of it.

Just as an individual may be led by macro figures to make bad decisions, or to give bad advice, so political leaders may be caused to overlook individual situations by concentrating on averages or aggregates. Let's take another case which involves unemployment data.

Ignoring the question whether there should be government unemployment benefits, let's examine the process that is generally used to extend benefits when there is an economic downturn that continues for a considerable period of time. Usually the politicians decide that a person may collect additional benefits if the unemployment rate of his state is above a certain arbitrary percentage figure. But the state unemployment rate is of no importance to the person who is out of a job. The fact that few of his neighbors are unemployed does not lessen his plight. He is just as bad off as the person in a state with a high unemployment rate who is also out of work.

Over and over we see reliance on averages as the basis of decisions that may affect individuals very differently. In fact, that is the only way government can carry out its

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economic policies. And, while we may not be aware of it, individuals who rely on the advice from macro-type advisers may make decisions that turn out not to be in their own best interests. Those decisions may, for example, involve whether to accelerate or delay a purchase, whether to hold or change an inventory level, whether to change employment, or any one of many other decisions that we are often led to make on the basis of macro-data that may have little or no relevance to our individual situation or, worse yet, may run counter to what we personally will encounter.

Economic activity is not a group experience or an average experience. Only individuals think, and only individuals act. A macro-economist reminds one of the story of the man who was standing with one bare foot on a block of ice and the other in a bucket of scalding water. On average, his feet were 98.6° comfortable. □

Little Lessons in Larceny

by Russell Madden

At a family gathering last Christmas, I had the opportunity to observe an event all-too-familiar to anyone who has spent time around small children. My three-year-old nephew was playing with a new toy he had received. The truck came with a number of smaller pieces: a driver, a tiger, and various accessories. Smiling, he carried his treasure into the living room where other family members sat. Immediately his two-year-old cousin came over and seized the tiger from the back of the truck.

Naturally, my nephew tried to take back the purloined toy. Just as naturally, his cousin twisted away and clutched his prize more tightly to his chest. Plaintively, my nephew looked up with a pained expression on his face and pointed to the small plastic tiger. Sternly two or three of the adults in the room—including his mother—told him in no uncertain terms that, "You have to share."

I cringed. While I had in the past heard such admonitions from adults to children not even their own, this time I felt even more uncomfortable with such a pronouncement. The brief drama I had just witnessed seemed to exemplify one of the basic problems with our society. This microcosmic encounter and countless others like it have helped establish the underpinnings for a moral assault on our free society, the sanctity of private property, and individual responsibility.

There is, of course, nothing wrong with sharing. But there is something wrong with stealing, and what happened in that living room was stealing, not sharing.

The messages learned in childhood are often the most enduring. They are unthinkingly adopted before we have the intellectual ability to analyze them. Buried among

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forgotten childhood experiences, these principles frequently guide our adult actions without ever being exposed to the light of rational questioning. Eventually, however, we will face the negative consequences of a faulty ethics and ask, bewildered, "How did this happen?"

"Sharing" done because someone makes you do it is just as much a self-contradiction as is the notion of "forced charity." The redistribution of income applauded by most politicians; the cries of our citizens for "entitlements" and social welfare programs to fulfill personal needs or desires; the idea that governmental interference in our private lives is proper; and the contention that taxation, the draft, and paternalism are moral actions—all these destructive beliefs and actions can trace their roots to the kind of mind-set which says to innumerable and defenseless small children, "You have to share," when their toys are taken.

The good intentions of parents and adults do not alter the damage they are doing. They feel they have fulfilled their parental duties when—sure enough!—the child surrenders his toy to the uncertain mercies of that other small child. If by chance the toddler-owner should further resist, he is accused of being "selfish," even though that opprobrious label is somehow never attached to the child grabbing and demanding that he be given access to the first child's possessions.

The implicit messages parents sent by their orders to "share" are many; that your private property does not *really* belong to you; you can enjoy it only until someone stronger comes along and demands that you surrender it; that the use of force is proper morality; that the surest avenue for gaining what you want from someone is not by negotiating for it but rather demanding that you need or simply desire that person's property; that your own desire to hold your property must be subordinated to the desire—should we say avarice—of those-who-have-not, regardless of whether they deserve any such help or assistance; and that proper self-interest is bad and must—and will—be punished.

Through countless little morality plays, children grow into adults who accept the notion that those who demand the property of others are entitled to receive it, and those who defend their own property are immoral. The demands of the homeless, the uninsured, the student, the businessman, and the retiree, jealous of others who have what they do not, are echoes of the whining cries of those spoiled children who "want" and "need" the toys of their playmates.

But a free society cannot survive by following such moral principles. A just society demands that all transactions be voluntary; that no one initiate force directly or indirectly; that someone else's need or desires does not give him license to enslave you, or tax you; that the only proper function of a government is to protect our lives, liberties, and properties, and not to violate them.

Might does not make right, neither for children, nor adults nor governments.

If parents want to teach their children to share, they first need to understand it themselves.

Parents should tell their children first that what is theirs is theirs: They need not share if they do not want to. By the same token, they cannot use the toys of other children—if those children prefer not to share. The idea of property is fundamental. Should a child wish to use another's toy the proper course for him to follow is to *ask*. If the other child declines, he should offer an exchange of some kind: this duck for that elephant. If the answer is still no, they should either increase their offer or be satisfied with what they already have. Under no circumstances should a child be allowed simply to seize the property of another. If another child should take a toy your child does not want to give up, the aggrieved party should feel free to come to you to rectify the problem, i.e., to return the toy, *not* to take the side of the thief against the innocent victim.

Voluntary interactions, exchanges, and negotiation; the sanctity of private property; parents who encourage cooperation and punish theft; a government designed to protect rights, not to violate them: These form the foundation of a free market, a free society, and a free individual. □

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NOTES FROM FEE

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Welfare Without the Welfare State

In this season of joy, kindness, and hope, it is proper to look only on the bright side of things. No matter what legislators, regulators, and politicians may conspire to perpetrate, it is always better to hope than despair, for hope itself is happiness.

It is also the season of charity which is never lost. It is not the time for politics, which is the art of expediency, or of government, which is raw force. Most Americans don't like big government. They are pained by the ever-rising burden of taxation, frightened by the huge pyramids of debt, and fearful of the ever-looming dangers of inflation. They despise politicians, dislike regulators, and distrust legislators who, under the stimulus of political passions, are prone to inflict much harm on the public.

Although most Americans oppose big government, they do not hesitate to support it if it can be made to serve them. They readily accept the welfare state with all its manifestations if it serves their special interests. While they applaud conservative rhetoric, they vote for liberal programs and entitlements.

Unfortunately, liberal programs always are government programs which rely on legislators and tax collectors, and make use of force. As government has no source of income or wealth of its own, it can grant only that which it seizes from its subjects. It cannot promote economic production in one industry without drawing resources from another. It cannot raise the levels of living of one social class without depressing the levels of all the others. And above all, government cannot intervene in economic life without the threat or use of brute force, the very antithesis of individual freedom.

Americans did not always rely on legislators and regulators, nor wish for government programs and entitlements. Throughout most of their history they took pains to live in freedom from government intervention. They bound government to the strictures of a Constitution with its Bill of Rights, and scattered a few basic functions of government over the legislatures, administrations, and judiciaries of three distinct levels of government: federal, state, and local. They were the freest people on earth, which permitted them to build the most prosperous country in the world.

Americans sought guidance and wisdom in Judeo-Christian precepts and principles. They founded hospitals and hospices, built homes for widows and orphans, and fed the poor and needy. They created public charities and benevolent associations for the relief of every kind of distress. To them, charity was a foundation of all other virtues such as prudence, temperance, fortitude, justice, faith, and hope. Benevolence was the ruling standard by which all others were judged. The place of private charity was everywhere, while the abode of government was a small sentry box.

Government relief was organized at first as a regulatory measure on a local level. Few states had "poor laws" providing for relief to the destitute. But they all had laws concerned with the control of vagrancy and able-bodied pauperism. Private charities cared for the sick, aged and infirm, dependent children, destitute families, and in some cases, the insane and mentally defective. In the New England states the townships helped to

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care for the poor, while in southern states the task fell to the counties. But relief was given only where no close relatives were able to support their dependents. Occasionally grandparents were made liable for their grandchildren, but usually it was only parents who were responsible for their own children. The townships or counties built almshouses which were looked upon as the best method for caring for persons for whom no other care was available. Most of the houses were operated by public officials, although a few were under a contract system with private individuals.

During the Great Depression, inflicted on the people by the dreadful blunders of both the Hoover and Roosevelt administrations, the federal government joined public relief with Social Security. This act sought to deal comprehensively with poverty and some of its causes, offering relief to three groups of needy: unemployed persons, the aged, and dependent children. Aid to the permanently and totally disabled was added later. Today, half a century after the federal action, more than fifty million Americans, or one in five, are enjoying some form of federal welfare.

Unfortunately, the federal program not only is an unmitigated failure but also has become the very cause of much evil. Today, there are more people living on public assistance, Social Security benefits, and other aid than there were people receiving poor relief in 1935. The federal system which meant to provide employment to young people, by removing older workers from the labor market, has institutionalized the unemployment of the elderly. The system has become the greatest intergenerational scheme of income transfer ever designed, and a permanent source of political aggravation and conflict. The unemployment provisions of the system helped to create a permanent army of some eight million Americans, and the aid to dependent children served merely to give relief to those millions of fathers who shirked their support obligations. There are now more fatherless children than ever before.

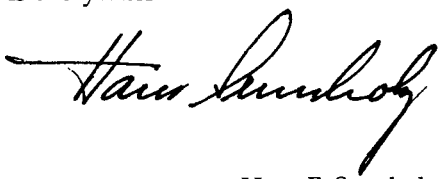
The federal system has created yet another army of dependents: that of civil servants. In 1992, for the first time in U.S. history, the size of this group exceeded the number of workers in manufacturing industries. While manufacturing employment serves consumer demand, civil service employment rests solely on the power of taxation and on the backs of taxpayers. It is the employment of controllers and regulators, inspectors and directors, supervisors and monitors in the command sector of the economy.

To reduce the mighty apparatus of the welfare state and return government to the sentry box is an enormous undertaking. It is primarily an educational chore, for all great changes in the affairs of man depend on the minds of men. Public opinion must change; reform, like charity, must begin at home.

Instead of looking upon government as the instrument for the betterment of society and for relief of all kinds, we must learn to meet all our needs efficiently and promptly, long before legislators and regulators discover these needs and seek to meet them in their blundering ways. Beneficence must again become an individual duty. Surely, it is difficult to be charitable wisely — to do good without increasing the sources of evil. To give alms is to give thought to the poor. A little consideration and a little kindness often go further than a large gift of money.

There are two kinds of charity — remedial and productive. The former may be injurious if not handled properly, while the latter is always beneficial. To give work to the poor is to drive out indolence and give new courage and hope. The kind of charity which weakens independence and debilitates the will to learn is always harmful.

Loving kindness is greater than the law, and a helping hand is more propitious than any public assistance programs politicians can concoct. Your smile in your neighbor's face is charity; a kind word to your fellow worker is equal to giving alms. The place of charity is everywhere.



Hans F. Sennholz

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by Lawrence W. Reed

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Lawrence Reed has devoted his life to expounding the principles of liberty, first as a college professor and then as a think tank executive. Since 1987 he has been President of the Mackinac Center for Pubic Policy in Midland, Michigan. During the past ten years he has written 600 newspaper columns, 200 radio commentaries, dozens of articles in magazines and journals in the United States and abroad. *A Lesson from the Past* is his fourth book.

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THE FREEMAN
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LEARNING FROM EXPERIENCE

by Ivan Pongracic

As the press has widely reported recently, another "enthusiastic Communist from [the United States] who disappeared without a trace in the late 1940s,"[1] has been found. He is living in St. Petersburg (formerly Leningrad) and freely admits that he squandered his life. His confession: "I made a tremendous mistake. Knowing what I do now, it was a tremendous mistake to have done what I did."

What did he do? Believing that Communism was the salvation of the human race, Joel Barr went first to Czechoslovakia, married a Czech woman, and, when in 1956 Nikita S. Khrushchev invited him and another American, Alfred Sarant, to start their own microelectronics institute, moved to the Soviet Union, changed his name to Josif Veniaminovich Berg, designed the first Soviet computer, and then helped to build the first Soviet radar-guided anti-aircraft gun. He confesses his hope at the time was that by helping Communism thrive it would one day spread to America.

When Mikhail Gorbachev came to power and disclosed the atrocities of Stalin's purges, Mr. Barr all but overnight lost his faith in Communism. Wasting "no time mourning the death of the theory that he had served most of his adult life," he became a proponent of the American Revolution. He now believes that "history will show that the Russian Revolution was a tremendous mistake. It was a step backward for mankind."

His story is, to say the least, educational. Although he has been neither the first nor, unfortunately, the last of the American intellectuals whose unrealized dreams about a terrestrial paradise made them aware that they had wasted their lives "building socialism," not many of them have been ready to admit their mistake. And no wonder. Intellectuals, according to Webster's dictionary, are persons "able to understand," persons "of superior intellect." To admit to having been fooled by such a devious system is not easy for someone who is supposed to make a living using "superior intellect."

Why, then, have so many of the so-called intellectuals repeated this mistake of falling in love with Communism?

The reasons abound. First, too many of them suffer from the materialistic illusion that man can live by bread alone. They seek a world of maximum production, a world without poverty, a world of equal redistribution of Earth's wealth. Since the "anarchy" of a market economy cannot achieve this goal, a deliberately guided economy is needed. Once reached, the material abundance should make everybody not only happy and fulfilled but even more willing to work for the common good.

On the other side of the spectrum we find those desperate to find a new god. Declaring Christianity dead, they are willing to put their faith in charismatic figures such as Lenin, Stalin, Mao, Castro, or Pol Pot.

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Wanting their minds liberated from the laws of God, they immerse themselves in Dialectical Materialism as the only possible way to achieve the ideal of the brotherhood of man. The means to achieve this are a complete abolition of property, the control of production, and the medium of exchange.

Finally, most of them abandon the market economy because it is not likely to provide them with the wealth or power they seek. Not catering to the tastes of the masses, whom they mostly despise, and unwilling to involve themselves in the work of representative politics, which they also despise, they long for a Grand Plan which would recognize their talents immediately and call them into action. Socialism, in all its variants, offers them rank among the elite, among the class of social engineers, who possess a degree of power that not only secures a comfortable life but also allows them to manipulate other people's lives according to their omniscient wisdom. As Eric Hoffer reminded us in his book *The Temper of Our Time*, "the intellectual who as a 'man of words' should be a master in the art of persuasion refuses to practice the art once he is in power. He wants not to persuade but to command."

When approached with empirical proof that their wish systems necessarily result in total disaster, these intellectuals are notorious for rejecting the notion.[2] That such a system could kill or starve millions of people, send thousands of dissenters to lunatic asylums, and use psychiatry in general as a tool of political punishment, or pack whole villages to concentration camps situated in areas where survival was all but impossible, has often been denied in a blind rage. Such intellectuals are even less willing to accept that their system rapidly deteriorates into moral and monetary corruption, with the *nomenklatura* indulging itself in the most conspicuous consumption imaginable.

Joel Barr now "spends his time thinking up ways to convince his still radical American friends that Marxist-Leninist theory is fatally flawed." The question is, why should his friends believe him?

At the time he decided to leave the United States, there were already people who had seen the future and did not like it. Their books, attempting to warn people like him about the real nature of Communism, were rejected as reactionary. Would their warnings have changed his mind? Would reading these books have made him stay in America? Would they have saved him from, in his words, committing "a tremendous mistake"? There is no way of knowing. Yet their message was clear and unmistakable.

In 1946, a high Soviet official—who had defected in 1944 as a member of the Soviet Purchasing Commission in Washington—published a book, *I Chose Freedom*.[3] In almost 500 pages, Victor Kravchenko described in painful detail the sufferings of both the common people and Party officials by the hand of a lunatic dictator. His chilling stories about "failure and waste" in industry, about the deliberate starvation of Ukrainian peasants, about the psychological destruction of 99 percent of the Soviet population, about his own encounter with death in a Gulag, must be read to comprehend the brutality of the system it describes.

(When accused of lying and being a Western spy, Kravchenko sued *Les Lettres Françaises*, a Communist literary weekly published in Paris. After bringing hundreds of witnesses to Paris to confirm his story, he won the trial. As Ludmilla Thorne explained in the introduction to the 1989 Transaction edition of Kravchenko's second book, *I Chose Justice*,[4] first published in 1950, all "witnesses were primarily simple men and women, some of whom were illiterate. They described how they had been dragged out of their homes, all their possessions taken away by local Party officials. Children had often been thrown screaming onto the snow like discarded ragged dolls. Families had been transported in cattle cars like human cargo, sometimes for ten or twelve days, to collective farms or labor camps. The corpses of those who died had been thrown off the trains whenever they stopped, and sometimes the death trains did not stop for days." Bitterly she adds later, "The heartlessness of such events is usually lost in

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scholarly journals and books written by contemporary Sovietologists.")

Several pages of Kravchenko's *I Chose Freedom*, were dedicated to American intellectuals. He was "shocked" when he realized that "Stalin's grip on the American mind . . . was almost as firm as his grip on the Russian mind." He describes how he had "to listen in frustrated silence" while American intellectuals spent hours praising Stalin's achievements. His endeavors to explain that this "tinselly picture of a happy and successful 'socialist' nation [was] imposed upon [the American] mind . . . by the best propaganda machine in all history" were useless. He found it "truly extraordinary" that "the Communist reality—like slave labour, police dictatorship, the massive periodic purges, the fantastically low standard of living, the great famine of 1932–33, the horrors of collectivization, the state organized child labor—seemed to have completely escaped American attention." Kravchenko relates that when he dared to mention such things to American intellectuals, they usually "looked at me incredulously and some even hastened to enter cocksure denials." Those who already knew about these atrocities, readily tolerated them "as a kind of interlude before paradise is ushered in."

Kravchenko thus tried to warn "the great mass of Americans" that their so-called intellectuals could be divided broadly into two groups: one that was totally ignorant of the totalitarian nature of the Soviet regime, including many alleged "experts on Soviet Russia," and another that accepted "lying about Russia [as] a method of class warfare: their shortcut to power." Kravchenko describes his final disappointment when he realized that he was "denounced and ridiculed by precisely those warm-hearted and high minded foreigners on whose understanding and support I had counted."

The "God that Failed"

Kravchenko could have been dismissed by the Joel Barrs of that time as a marginal case—a Communist official who had not been promoted quickly enough to satisfy his ego. But there were others. In *The God That Failed*,[5] for example, six famous writers—two Americans, an Italian, a Frenchman, an Englishman, and a German—decided to put together some of their previous writings in which they described the experiences which led to their disillusionment with the Soviet system. As the publisher of the book put it: "They found out—in pain and disgust—that they were wrong; that the words 'brotherhood' and 'freedom' are merely catchwords to Communists; that 'truth' is whatever the Party says it is at the moment; that the very things they had joined the Party for were most endangered by the Party itself."

They had at first willfully accepted the belief that Marxism had "exploded liberal fallacies" about capitalism as a system of automatic progress, as an economic system without booms and slumps, as a just system where racial discrimination and other injustices are unknown. Consequently, watching their old world fall apart, such intellectuals, in desperation, turned to Marxism. "Christianity is bankrupt," concluded André Gide, so fellow travelers turned to "a creed which seemed to provide a complete and final answer to the problems of both social and racial injustice."

Soon, however, they were to discover that their god was devouring his own children. They found out that some of their friends, totally dedicated Communists, had perished in the labor camps, were shot by firing squads, or simply vanished without a trace. They found, in Arthur Koestler's words, that "At no time and in no country have more revolutionaries been killed and reduced to slavery than in Soviet Russia." But, more "disheartening than the barbarities committed by the simple in spirit," i.e., Russian Communists, was "the spectacle of [those] dialectical tight-rope acts of self-deception, performed by men of good will and intelligence," namely Western intellectuals.

Louis Fischer's moment of revelation came with the Soviet-Nazi pact. He realized that "Totalitarians of all feathers understand each other." For a long time he had

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been willing to accept a "temporary suspension of freedom [which would] enable the Soviet regime to make rapid economic strides." Finally, however, he realized that "On the backs of the nationalized proletariat and the nationalized peasantry, with the cowed, kowtowing bureaucracy and intelligentsia crying 'Bravo,' Stalin has built a supernationalistic, imperialistic, state-capitalistic, militaristic system in which he is, and his successor will be, the Supreme Slave Master."

André Gide's story was similar. Traveling first to Communist Russia and then to Fascist Italy in the 1930s, he had discovered the same slogans on the walls in both countries: Believe, obey, and fight. It had suddenly dawned on him that "The Communist spirit has ceased being in opposition to the Fascist spirit or even differentiating itself from it." After some more eye-opening experiences, he decided to warn "the workers outside the Soviet Union . . . that they have been bamboozled and led astray by the Communist Party, just as the Russian workers were duped before them. . . . [I]n Marxian doctrine there is no such thing as truth—at least not in any absolute sense—there is only relative truth." The man who found Christianity bankrupt had to admit that "Russia . . . has failed to become a god and she will never now arise from the fires of the Soviet ordeal."

And then there was Max Eastman, a poet, philosopher, journalist, translator. Right before the Russian Revolution he came to the conclusion that socialism was the only way to "make all men as free to live and realize the world as it is possible for them to be." He dreamed that by socializing the means of production the socialist could "extend democracy from politics into economics." By "a process of thought rather than feeling," Eastman pronounced Marxism a "large-scale social-scientific experiment," the only one capable of producing "a society without distinction of caste, class, race, money-power—without exploitation, without the 'wage system.'"[6]

That was in 1916. Then, in the 1920s, he visited the Soviet Union. First he realized that "Instead of liberating the mind of man, the Bolshevik Revolution locked it into a state's prison tighter than ever before. No flight of thought was conceivable, no poetic promenade even, no sneak through the doors or peep out of a window in this pre-Darwinism dungeon called Dialectic Materialism. No one in the Western world has any idea of the degree to which Soviet minds are closed and sealed tight against any idea but the premises and conclusions of this antique system of wishful thinking."

Eastman found the economy abysmal. He concluded that "the whole idea of extending freedom, or justice, or equality, or any other civilized value, to the lower classes through common ownership of the means of production was a delusive dream, a bubble that had taken over a century to burst." He realized that man has "a choice between two and only two business systems. . . . We can choose a system in which the amount and kind of goods produced is determined by the *impersonal* mechanism of the market, issuing its decrees in the form of fluctuating prices, or we can choose a system in which this is determined by command issuing from a *personal* authority backed by armed force" (italics in original). The former is "the spontaneous way of producing wealth with elaborate machinery and a high division of labor." The latter is a "return to barbarism."

Finally, Eastman quoted Arthur Koestler, who said that the Western intellectuals of socialist persuasion were "men of good will with strong frustrations and feeble brains, the wishful thinkers and idealistic moral cowards, the fellow-travelers of the death-train." He devised a special name for them—"the champions of a lawyer-manager-politician-intellectual revolution."

Lessons from Mises and Jewkes

If all of this was not enough to open Joel Barr's eyes, and if he wanted an opinion from a trained economist, he could have chosen between the Austrian Ludwig von Mises (whose *Socialism* was first published

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in English in 1936) and the English economist John Jewkes (whose *Ordeal by Planning* was published in America in 1948). In *Socialism* he could have discovered why a socialist economy is an impossibility. Not only would the omnipotent planners be incapable of planning, asserted Mises, they would not even know where to begin to look for the meaningful data. Because the pricing system was nonexistent, planners would never know where and why more capital is needed nor which needs of the population should be satisfied first and which later. With no profit and loss system, they would never know whether or not their endeavors were successful.[7]

In Jewkes' work, Joel Barr could have learned that "economic confusion" is "the breeding-ground of totalitarian ideas." The lack of understanding of the pricing system is the main factor pointing socialism in the direction of inevitable disaster. "More converts are brought to the planning fold through ignorance of the price system than through any other cause," warned Jewkes, because "those who cannot, or will not, acquaint themselves with the principles of this system have no clue through which to reach an understanding of the intricate organization operating around them. Tortured and bemused by the fear of the unknown, they finally come to believe that everything in the free economy is subject to 'the blind ravages of chance'; that what is produced, what work each man pursues, what price is fixed for commodities are isolated *ad hoc* decisions. Into this intellectual vacuum the idea of a planned economy rushes with all the force of a gospel of salvation."[8]

There is no way of knowing whether or not Joel Barr had read any or all of these books. Nor can we know what his reaction was or would have been. But since he had to spend more than forty years in the Soviet Union to have his eyes opened, we can suspect that little would have changed. Now he is warning "his still-radical American friends" but, again, why should they believe him? He obviously did not believe others who wanted to warn him.

The intellectuals' unwillingness to change their beliefs has been perfectly illustrated recently. In 1990, Robert Heilbroner wrote in *The New Yorker*[9] that "the Russian collapse . . . came as a shock." It was shocking to him "that the system deteriorated to a point far beyond the worst economic crisis ever experienced by capitalism," and it was even more shocking "that the villain in this deterioration was the central planning system itself." The system "produced grotesque misallocation of efforts," the planners had "to keep track of . . . 24 million prices," while the produce "often rot[ted] in warehouses." He was also shocked when he found out that "the Soviet Union [had become] the first industrially developed country in history to suffer a prolonged fall in average life expectancy during peacetime."

Heilbroner relates more shocking news. Yet, at the end of his article, he actually develops a most curious defense of socialism and a planned economy. To make "our economic peace with the demands of the environment," to cope with "the ecological burden that economic growth is placing on the environment," the "realization that socialism [as] a social order designed to ward off economic disaster . . ." is unavoidable. In the name "of our grandchildren . . . our great-grandchildren or great-great-grandchildren," he wants us to believe that a planned economy "is the direction in which humanity will have to travel . . ." (One wonders if he ever visited parts of the Ukraine, Czechoslovakia, East Germany, or Russia to see what a planned economy does to the environment.)

In a recent interview,[10] Robert Heilbroner categorically reaffirms that he has not "turned my back on this long honorable tradition of democratic socialism." Stating that although "The system [in the former Soviet Union] fell down for reasons we don't entirely understand," he reminds the reader that the system "was very successful in the early days. Russia was a very poor country, but the Russian Revolution under the leadership of Lenin did somehow manage to marshal its resources in a way that had not been previously possible." (Mr. Heilbroner need only read Kravchenko to

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demolish this persistent myth about pre-revolutionary Russia. Russia was *not* "a very poor country." It became "a very poor country" only *after* the Revolution.) At the end of this rather long conversation (in which he also warns Americans not to pay too much attention to budget deficits and public debt in general), Heilbroner states that those who believe in capitalism must always remember that "capitalism, in addition to being a fantastic source of growth, is also a fantastic originator of problems."

Joel Barr must understand that these days—with the new President talking about more active government, and most of his friends and advisers defending something euphemistically called industrial policy, managed markets, managed trade, managed exports and imports—the American Left is euphoric again. His "radical American friends" are equally as willing to listen to him as he was willing to listen to a Hayek, a Kravchenko, a Gide, and others in the 1940s. Their old dream, what Hayek called "a despotism exercised by a thoroughly conscientious and honest bureaucracy," is within reach again.[11] The 1960s radicals are now teaching economics, political science, law, literature, and history at American universities, hiding their bankrupt philosophies behind the political correctness craze, deconstructionism, cultural studies, and dreaming up ways to construct, very soon, their version of perfect community.[12] The Joel Barrs are pushed into the dustbin of history.

Besides, the American Left is well aware that libraries are replete with books describing what has been happening for decades not only in the Soviet Union, Eastern Europe, China, and other Communist countries, but also in Sweden, Canada, Norway, New Zealand, and other countries which have tried "soft" socialism. They couldn't care less; they simply believe that those old socialists, Communists, and Marxists were too stupid, too unsophisticated to succeed. According to their new creed, socialism and a planned economy are possible. Period. It only takes the right kinds of intellectuals to make it work.

As George Orwell once put it, "You have to belong to intelligentsia to believe things like that; no ordinary man would be such a fool." Unfortunately for the rest of us, the new intelligentsia, the new enthusiastic reformers of the new administration, will have to learn from experience, too. No doubt forty years from now one of them will complain about having made "a tremendous mistake." At that time America may look, more or less, like today's Russia. □

1. Elizabeth Shogren, "U.S. whiz regrets helping Soviet defense industry," *Los Angeles Times*, reprinted in *The Indianapolis Star*, October 25, 1992.

2. The best example is Herman Finer's *The Road to Reaction* (Boston: Little Brown & Co., 1945), an answer to Friedrich Hayek's *The Road To Serfdom*, in which Hayek tried to warn "the socialists of all parties" that they "misconceived the nature of [their] movements" and that their "enthusiasm for the new kind of rationally constructed society" can bring nothing but "results most distasteful to many of its advocates."

3. All quotations are from the Transaction Publishers (New Brunswick, U.S.A., and Oxford, U.K.), 1989 edition.

4. Republished by Transaction Publishers, New Brunswick (U.S.A.), and Oxford (U.K.), 1989.

5. Bantam Books, 1959. Original Harper edition was published in January 1950.

6. All quotations are from *Reflections on the Future of Socialism*, Viewpoint Books, 1955. Although published too late for Mr. Barr to read before his defection, it is obvious that Mr. Eastman was simply repeating in this work his thoughts that he had already formed in his previous books and articles published in the 1930s and 1940s.

7. Ludwig von Mises, *Socialism, An Economic and Sociological Analysis* (London: Jonathan Cape, 1936).

8. John Jewkes, *Ordeal by Planning* (New York: The MacMillan Company, 1948).

9. Robert Heilbroner, "After Communism," *The New Yorker*, September 10, 1990.

10. *Classrooms & Lunchrooms*, A Journal for Teachers of Economics, Prentice-Hall, Fall/Winter 1992–93.

11. Kevin Pritchett, in "Reading Laura Tyson" (*The Wall Street Journal*, December 30, 1992), shows Ms. Tyson, the chairman of President Clinton's Council of Economic Advisers, as one professing a strong belief in government intervention. He quotes her 1990 article "Why a National Competitiveness Policy is Needed": "Simply put, certain industries may be more important than others . . . and government policy to promote or protect them can improve welfare." Later she adds that it is "better to err" in the direction of protectionism than away from it. Although Mr. Pritchert does not say it, one must be aware that promoting and protecting "strategic" industries has become the latest euphemism for a planned economy in America. He does emphasize that every time Ms. Tyson "analyzes communist economies on their own terms, she partakes of the fiction that communism worked."

12. Roger Kimball reports that at the 1992 Modern Language Association of America convention its president, after nostalgically recalling the 1960s, expressed his hopes that "the recent Democratic victory [is] a signal that a 1960s-style radicalism will be coming back with a vengeance." Before that he emphasized that "teachers of literature should subordinate literary concerns to the task of fostering radical political activism" ("'Heterotextuality' and Other Literary Matters," *The Wall Street Journal*, December 31, 1992).

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THE FREEMAN
IDEAS ON LIBERTY

THE CASE FOR HAPPY ENDINGS

by Karina Worlton

I remember having a conversation with an English teacher when I was 12. We were discussing good books. I told her that I never read a book without first reading the ending. If it had a happy ending, then I read it. Otherwise I did not. The teacher told me that I was missing out on some of the best books with my method. I tried to accept what she said at face value. It wasn't until ten years or so later that I was able to take a closer look at the concept of happy endings.

As an English major in college, I took several "period" literature classes, such as "Victorian," "Modern," "Romantic," and "Renaissance." Each period had overlying characteristics that tied it together. For example, many of the early writings in English history were primarily religious in nature.

On the whole, my least favorite works of literature most often were written during the more modern periods. (Different people select different beginning and end dates for periods. I shall broadly define modern as the last 50 or so years.) There is an overwhelming trend in recent literature toward negativism, or "realism" as it is called. The idea behind realism is that literature should be as close to real life as possible. However, it seems that most authors live very sad lives, because in their books no one is allowed to be happy. In addition, many modern books discuss topics such as drugs, suicide, the occult, and war. These things are not a part of my life, and I do not want them to be.

I now no longer believe that I am "missing some of the best books" by wanting a happy ending. I have come to narrow my definition of "happy ending" to one that leaves me feeling positive about something. The hero of the story might get killed, but if he died defending his principles, I am left applauding the hero's actions.

As a college student, I was often assigned books to read that I felt were very negative. I was told that these books showed life in the twentieth century and therefore they were very important. Furthermore, when we studied books from earlier time periods that were not negative, we analyzed them using modern "realistic" critical viewpoints. In my opinion, there are three main reasons why such books are considered "representative" of this century: Darwinism, Marxism, and Freudianism.

When Darwin's theory of evolution was introduced and gained popularity, it changed the thinking of many people. Many of those who had believed that man had been created by a loving God began to think that science had disproved the existence of a God. Without a God, the remainder of their beliefs, such as a purpose for life and a life after this one, faded away. Life was a dreary drudgery, and death was simply an end.

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Marxism taught men that they were not individuals, but part of a society (a community). The good of all superseded the good of one. As a result, the belief that mankind consisted of unique individuals who could achieve according to their diverse efforts and talents was supplanted by the belief that mankind was a hive.

Freud's theories were based on the idea that man was a product of his environment and background, and not of his choices and actions. As a result of Freud's theories, many men could no longer believe that their choices and actions made any difference in what they would become.

I remember being required at the ripe age of eight to read a book on suicide and another on an illicit affair. Neither one was appealing or interesting to me. They were not enjoyable nor did they allow me to "escape" from my life; they did not teach me anything I wished to learn; they did not help me to work through any emotions.

Negative literature tends to foster negative attitudes. The more negative input I absorb the more negative I will tend to be. This input will color everything I think and do. I think the negativism in literature (and other forms of entertainment including movies and television) has been and will continue to be a major factor in the increase of crime, suicide, depression, drug use, and family break-up. Literature which claims to mirror real life helps to create "real life." Ideas have consequences.

Negative literature also causes children and adults to have little or no desire to read. Illiteracy can be blamed on many causes, but negative literature must take its fair share of the blame. What incentive is there to read when literature only creates unpleasant feelings? I believe that if children were given positive, uplifting literature there would be an increase in the literacy rate.

Some may criticize my views and call me naive. However, I have never felt that knowing in detail what being immoral or on drugs or suicidal is *like* could help me in any way. I have read excellent books where "bad" things happen. In each case, these events were not the whole story. Good things happened as well, and the ending always left hope for the future.

I still read the last pages before choosing a book. □

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A Nation of Children

by Brandon Crocker

Over the years, many economists and philosophers have pondered the question posed by Joseph Schumpeter, "Can capitalism survive?" With the collapse of socialism in Eastern Europe, one would think that the prospects are favorable. Yet capitalism (at least *free market* capitalism) is under fresh assault in the United States. And the implications of this assault stretch far beyond our mere economic well-being.

Recently, a good deal of debate has started on such issues as government control over the health-care industry, national industrial policy, and government-mandated employee benefits. Most of the debate centers on questions of efficacy and implementation. While many have argued that a more active government will harm the economy, few Americans are taking issue with the basic premise that the federal government ought to be authorized to do all of these things.

Freedom has been a hallmark of American nationhood since the founding. Yet today it is difficult to find many people who understand and embrace the concept. As the discussions of federal policy indicate, freedom lags well behind such material considerations as less expensive health care, job security, and a growing economy in the constellation of concerns of most Americans. What was for a long time the defining word of the American spirit now is freely bargained away by the American people in exchange for promises of federal paternalism. Such are the political dynamics of the modern welfare state.

Since the New Deal programs of the 1930s, Americans have increasingly looked to government to improve or safeguard their economic positions. Every year new legislation reduces the freedom of some in order to provide benefits to others. It is now hardly questioned that wealth should be redistributed from the successful to the unsuccessful, and that the government should have a strong role in the regulation of commerce.

Seemingly paradoxically, however, Americans still guard freedom in their "personal" spheres quite jealously. They still want to be able to "do what we want to" in their private lives. Increasingly, Americans don't even want people to be able to *disapprove* of their lifestyles, let alone dictate them. (The advocates of this position don't seem to realize the ominous implications to personal freedom implied by this view.) Those who would try to "impose their morality" on others are demonized in the popular culture, and growing numbers of Americans count unrestricted access to abortion, for example, as a fundamental right. Americans, like children, want some benefactor to take care of their needs and problems, but leave them alone to act as they please.

But there really is no paradox demonstrated in demanding that government provide goods while vigorously attacking government intrusion into "personal" matters.

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Americans are asking for an unhindered road to personal self-fulfillment, and a government empowered to help them through any difficulties which may arise. This is the attitude we expect from children and others who have been shielded from the full responsibilities of life, and it is symptomatic of a people with a heritage of freedom who have been corrupted by an expanding welfare state.

Economic Controls Are People Controls

When discussing government intervention in the economy, it is prudent to remember that a nation's economy is nothing more than the decisions of individuals as to what to produce and what to consume. Therefore, a government-controlled economy necessarily means government-controlled people. The greater the control the government has in the economy, the smaller the sphere of personal freedom. Whenever we demand that government intervene to give us some benefit, we are simultaneously demanding that government intervene to deprive someone else of some freedom. Even if only the personal freedoms of others are directly affected by our demands, we reduce the barriers of tradition and attitude that protect our own freedoms, as well.

Punitive taxes on tobacco and alcohol are an attack on personal freedom disguised by the rhetoric of "solving the health-care crisis." These new taxes are being justified on the grounds that smoking and drinking cause health problems which put a strain on health-care resources. If we deem this proper justification have we not acquiesced to the proposal that government can and should regulate all sorts of personal choices? If putting special taxes on (or even outlawing) smoking and drinking is fine, what about other potentially unhealthy activities like hang-gliding, high school football, or eating red meat? Will all our individual rights that could conceivably affect health-care costs be subject to majority rule? Or, having turned over to government the power and responsibility to maintain and pay for our health-care system, will our individual rights have even that much protection?

Is this far-fetched hyperbole? One would like to think so. But then again, how many of the enlightened liberals of the 1930s thought that Mao's "land reforms" would lead to the state dictating (through economic "incentives" and coerced abortions) how many children families could have? How many socialist utopians of the 1960s thought that a People's Republic (with free health care and job security) like Czechoslovakia could forcibly relocate the inhabitants of an entire city so that government-controlled utility providers could have access to coal deposits? And how many of our fathers and mothers would have thought that in the United States of America, small businesses could be sued out of existence because their work forces did not closely enough match the ethnic and sexual makeups of the community? The United States has a long tradition of freedom, as well as some still functioning constitutional safeguards. But it is sobering to step back and look at just how far we have traveled over the last 75 years.

Like children, Americans will sooner or later discover that they cannot rely on some authority to take care of them and still be free. It is a truism that with freedom comes responsibility. It is also true that freedom only lasts if people take responsibility for their activities and reject the premise that their lives should be made easier at the expense of other people's freedom.

History clearly shows that it is harder to win back freedoms than to give them away. Governments rarely agree to relinquish power, and groups which have come to depend on government-provided largess will join in opposition to any such movements. So it is important that all who can try to awaken their fellow citizens to their folly, or soon it won't be Schumpeter's question we'll be pondering, but rather the one posed by Francis Scott Key: "Oh, say does that star spangled banner yet wave, o'er the land of the free and the home of the brave?" □

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THE FREEMAN
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THOMAS CHALMERS AND THE POOR LAWS

by Clifford F. Thies

Thomas Chalmers (1780–1847) was ordained in the Church of Scotland in 1803. In his first ministry, in Tron parish of Glasgow, Chalmers quickly developed recognition as a great speaker from the pulpit. A Calvinist, he was deeply impressed by the importance of faith, as distinguished from good works, for salvation.

In 1819, he was appointed minister of St. John's parish, the largest and the poorest in Glasgow. In this position, he got permission to completely substitute church charity for public welfare, and achieved great success both in relieving poverty and in reducing the cost of relieving poverty.

His method was to treat each person's need individually, seeking always to uplift the disadvantaged, distinguishing between the "deserving" and "undeserving poor," and involving family and community in the fight against poverty. During the next century, followers would implement these ideas throughout Great Britain, the United States, and other parts of the English-speaking world.

Chalmers' efforts to reform the poor laws went hand in hand with his opposition to the Corn Laws, which restricted international trade in order to "protect" domestic agriculture; to grants of legal monopoly to industry; to prohibitions against free unions; and, to the heavy burden of taxation upon the laboring classes. In all these cases, he saw government interferences with the workings of a free society—including both its competitive and cooperative spheres—as disrupting the natural, or even the divine order of things.

Later appointed to university positions at St. Andrews and at Edinburgh, Chalmers gained increasing recognition as a leader of the evangelical wing of the Church of Scotland, seeking independence of the church from civil authority, and the right of parishioners to elect their own ministers. Accordingly, after "the Disruption of 1843," when 203 commissioners walked out of the General Assembly of the Church of Scotland, Chalmers was named first moderator of the Free Church of Scotland.

A prolific writer, his more significant books include *An Enquiry into the Extent and Stability of National Resources* (1808), which concerned the probable effects of the Napoleonic blockade; *Christian and Civic Economy of Large Towns*, in three volumes (1821–26); *On Political Economy* (1832); *On the Adaptation of External Nature to the Moral and Intellectual Constitution of Man* (1833); and *Institutes of Theology* (1849).

Outdoor Relief

As the nineteenth century got underway, the effects of eighteenth-century changes in

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the poor laws were becoming evident. These changes included the authorization of "outdoor relief" for the able-bodied poor. No longer were the able-bodied poor required to enter the poorhouse, in which they would have to perform work, including make-work if necessary; they would now be able to subsist in their own homes. These changes were thought to be more humane to the poor and economical to the taxpayer. But over time they had exactly the opposite results, increasing misery among the poor and laboring classes, and increasing the financial burden placed on the taxpayer.

Influenced by the writings on population of Thomas Robert Malthus, also an evangelical, Chalmers argued that any increase in relief for the poor would result over time in an increase in their numbers, absorbing the increase in relief in an increase in poverty. (Chalmers argued that this rule wouldn't apply to extending relief to the "deserving poor," who were impoverished by reason of mental or physical disability, old age, or orphan status.)

For several reasons, outdoor relief undermined the economic conditions of the poor and laboring classes:

Unskilled workers would have to compete against those receiving outdoor relief, who because their earnings were augmented could work for a lower wage. Without such subsidized competition, wages for unskilled workers would be higher.

The increase in taxes needed to finance outdoor relief would increase poverty among otherwise self-sufficient people, whom we now refer to as the working poor. Thus, distress wasn't relieved, but merely shifted to a class far more deserving than the class being aided.

As a result of the extension of outdoor relief, "the springs of gratuitous benevolence have been well nigh dried up. . . ." Men were subtly encouraged to abandon their families, parents their infant children, and grown children their aged parents. Furthermore, the ability of private charity to exercise "delicacy" and "discrimination" in the administration of relief, responding generously to those in true need, and denying relief to the undeserving, was replaced by "the regulated ministrations" of the poverty officials.

The able-bodied but idle poor were prone to "the mischief which proceeds from idleness"; including "relaxed industry," intemperance, licentiousness, and degraded respect for honesty and property. Indeed, patriotism was replaced by class struggle between "the higher and lower divisions," the former viewing the latter as a burden, and the latter viewing the former as unjustly withholding its due.

Finally, regarding those who truly needed to be supported, their support was cut short by the increased financial strain on the treasury. Funding was cut and economies forced in the public infirmaries, dispensaries, and asylums that served the enfeebled aged, the disabled, orphan children, and that responded to the periodic needs of the laboring classes for assistance in times of distress. Thus, "public charity has been profuse where it ought not, and it has also been niggardly where it ought not."

To Chalmers, there was a clear distinction between justice and charity: "Justice, with its precise boundary, and well-defined rights, is the fit subject for the enactments of the statute book; but nothing can be more hurtful and heterogeneous, than to bring the terms, or the ministrations of benevolence, under the bidding of authority . . . ." The problem with outdoor relief wasn't that it incorrectly asserted that we have an obligation to help the deserving poor, but that we turned to the government to fulfill this obligation. The sphere of the civil magistrate is justice, not charity.

Chalmers argued for nothing less than an immediate and complete abolition of outdoor relief. "Would it not be better that all this bungling and mismanagement were cleared away at once?" he argued. To those who criticized his radical approach, he answered, "How comes it that he who questions the expediency of poor-rates is usually regarded as a man of visionary, or at least of adventurous speculation; and that he who resists every change of habit, or of existing institution, is deemed to be a man of sound

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and practical wisdom, who, unseduced by any ingenious or splendid sophistry, sits immovably entrenched within the safeguards of experience?"

Progress Against Poverty

In 1834, the English Parliament ended outdoor relief; as more or less did the several states of the United States at about the same time. There followed a century of progress against poverty, spearheaded by the harnessing for good of both self-interest and compassion that occurs in a free society. Private charities sprang up on both sides of the Atlantic like flowers in the springtime, bringing help to almost everyone in need, especially during times of natural and economic distress.

So successful was this effort that the very definition of poverty came to be revised again and again, so that what we now consider to be the minimum standard of living consistent with human decency would be beyond the imagination of those in Chalmers' day.

But with the return of "outdoor relief," this progress against poverty has now come to halt. The government's definition of poverty hasn't been changed since the 1960s, and the numbers and percentage of people who are poor by that definition have been on the increase. Standards of living among working people have been falling, and the taxpayers of our generation have been forced to send their wives and children into the labor market.

It was one thing for the compassionate people of the eighteenth century to wish to use the awesome powers of the government to "do something" for the poor. The same could be said about the compassionate people of our own century. It was and is another thing to resist changing the welfare system that was supposed to help the poor once the disasters of that system become obvious. At such times, it is for men of faith, men like Thomas Chalmers who trust in God's providential design, to have the moral courage to advocate real change. □

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A REVIEWER'S
NOTEBOOK

REFUTING OSWALD SPENGLER

by John Chamberlain

Is there an excuse for a volume the length of *The Rebirth of the West* (Cambridge, Mass.: Blackwell, 1991, 736 pages, $69.95)? The answer, rather obviously, is that the book might have been published as six or seven volumes. Peter Duignan and L. H. Gann have each done many important studies for the Hoover Institution in California. Duignan has edited more than thirty volumes dealing with the Middle East, Africa, and Hispanics in America, and Gann has been right behind him.

The authors have a two-part theme; the general post-war recovery, and the special role of the U.S. in creating an Atlantic Community from 1945–58. Together, they have mastered the art of interesting and relevant quotations in a way that would have pleased the late Leonard Read. They quote the British historian Macaulay:

> It is not by the intermeddling . . . of the omniscient and omnipotent State, but by the prudence and energy of the people, that England has hitherto been carried forward in civilisation; and it is to the same prudence and the same energy that we now look with comfort and good hope. Our rulers will best promote the improvement of the nation by strictly confining themselves to their own legitimate duties, by leaving capital to find its most lucrative course, commodities their fair price, industry and intelligence their natural reward, idleness and folly their natural punishment, by maintaining peace, by defending property, by diminishing the price of law, and by observing strict economy in every department of the state. Let the government do this: the People will assuredly do the rest.

Macaulay wrote these lines in 1830. They do not check with much that has happened since, especially after World War II. By the mid-1950s, the state in Western Europe controlled all postal communications, telephone services, nearly all radio and television stations, as well as large segments of the mining and steel industries. The state accounted for 100 percent of the coal mining in Britain and Italy, 98 percent in France, 60 percent in Holland, and 26 percent in West Germany, an anomaly.

The state patronized the arts, even to the point of sanctioning pornography. It licensed street walkers. In the name of Keynesianism it has indulged in all manner of national planning. The Marshall Plan was fundamentally a subsidy affair, deemed necessary to bring city and country together. European peasants had not seen fit to bring their food to city markets that had little to offer in exchange.

If most people took what the state offered without quibbling, there were the important exceptions. Adenauer in West Germany looked with favor on the idea of a free

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market. Ludwig Ehrhard, minister of Adenauer's Rhineland economy, abolished price controls, ended rationing, and reduced onerous regulations.

In spite of all travails, the post-World War II years impressed Duignan and Gann as "marvelous"—thirty golden years of achievement "anticipated by few."

This brings Duignan and Gann back to Macaulay: "Had he returned to survey the post war scene in the West he would have felt vindicated in his optimism."

In "overview entries," Duignan and Gann summarize such topics as education, both elementary and secondary, the Berlin blockade, the decolonization schemes for Africa and Western Asia. There are chapters on the progress of the Cold War, with résumés of what was said and done at Teheran, Yalta and Potsdam. The Marshall Plan gets more than its share of attention. The literature of the U.S., Britain, and Western Europe, and the radio, television, and music are all related to the global scene.

"Our task," say the authors, has been to fashion a synthesis based on "the best scholarship." Oswald Spengler's *Decline of the West* has been refuted, at least for the thirteen years covered. □

The Tragedy of American Compassion
by Marvin Olasky
Regnery Gateway • 1992 • 290 pages • $21.95

Reviewed by Daniel A. Bazikian

Marvin Olasky believes that the present American poverty programs and welfare system have failed, not only in terms of money squandered, but also in regard to human souls corrupted and national character corroded. As a Christian, he argues for a biblical model for fighting poverty. In *The Tragedy of American Compassion*, Olasky develops this argument historically, by chronicling and criticizing efforts to fight poverty from colonial times to the present. As he states in his introduction, "The key to the future, as always, is understanding the past."

Olasky argues that indiscriminate government handouts of aid do not better the individual; instead, they merely foster further moral laxity and irresponsibility. Poverty can be alleviated, however, not only as well-to-do individuals help less fortunate individuals, but also as the better-off help the morally and economically downtrodden learn to live out the biblical work ethic in their lives. Personal beliefs and personal values play a determinative role in the economic outcome of one's life.

The early American concept of charity, as expressed from both pulpit and printed page, stressed biblical themes. This established the cultural and intellectual framework for viewing the problem for at least the next 250 years. Charitable aid was encouraged to be given in a spirit of generosity (which in those days was associated with nobility of character, as well as gentleness and humility). Emphasis on a God of justice and mercy, and of man as a fallen, sinful creature, led people "to an understanding of compassion that was hard-headed but warm-hearted." Those in genuine need would be helped, but those who were slothful were allowed to suffer until they showed a willingness to change.

Other strong concepts also emanated from this theistic outlook: Giving was to be done not mechanically but from a spirit of genuine love; almoners of charity were to acquaint themselves personally with the poor, so as to discern better who deserved aid and who did not; moral and spiritual guidance was to be dispensed along with material aid; because men's sinfulness often prompted them to abuse charity, donors were advised to withhold it at times; and giving was done in such a way as to strengthen and encourage family life. Charity of this type not only characterized the predominantly Protestant population, but also the small Catholic and even smaller Jewish minorities as well.

The growth of cities in nineteenth-century America often intensified the needs of the poor. In response, the new world came to

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look to the old for a workable answer. Scottish theologian Thomas Chalmers, a strong critic of the government-run, indiscriminate "outdoor relief" established in England's newly industrialized cities, adhered basically to the same viewpoint on poverty as his American counterparts. From 1819 to 1823, he devised a plan for implementing his ideas within a specially created, ten thousand-person district (the Parish of St. John) in Glasgow. Within this parish, state, or other indiscriminate aid was excluded and all needed relief was to be met by the donations of parishioners. Chalmers divided his parish into 25 districts, each the responsibility of a deacon who would investigate who were the genuinely needy. The effects reportedly were remarkable: Church charitable giving increased (donors were confident of the wise use of their money); the better-off induced the poor through habits of industry and thrift to improve their lot; and the number of poor in the parish as a consequence shrank.

By around the middle of the century, charitable societies in every major American city were being established mainly along Chalmers' lines. Workers in these organizations shared a view that the underlying causes and long-term needs of the poor were religious. Only when the poor learned to address these needs would they lift themselves (through God's help) out of poverty.

Up to the 1840s, a general consensus still prevailed regarding society's treatment of the poor. Charity was handled mainly through private efforts. Government support of the poor was limited. The English system of indiscriminate state aid to the poor was scorned as degrading to the recipients.

That decade witnessed the first serious challenge to this consensus. Horace Greeley, founder and editor of the *New York Tribune* as well as a theological Universalist and utopian socialist, believed in the natural goodness of man, as well as the corrupting influence of capitalist society. According to Greeley, every person had a right to both eternal salvation and temporal prosperity, and poverty was to be alleviated by redistributing the wealth to everyone without making moral distinctions as to the recipients.

Later in the century came the attack of the Social Darwinists, who viewed the struggle within society in terms of the survival of the economic fittest. Character, they contended, was hereditary, and attempting to lift those poor souls from the grips of vice and poverty was therefore useless. Both of these attacks were ably and articulately confronted by those holding Christian views of charity.

Another and more subtle assault on this consensus was to have a more devastating impact. A new strain of liberalism (referred to as "Social Universalism" by Olasky), combining theological liberalism and political socialism, gained a strong following among the nation's intellectual and literary elite. Theologically, its adherents substituted the notion of God's love for all, for the notion of God's love for his people. Instead of emphasizing charity to individuals, the new emphasis (similar to Greeley's) was on aiding the masses through improvement of their environment. The religiously distinctive principles of traditional charities were also muted or removed. This new charitable outlook found expression in the "settlement house" movement of the 1890s (of which Jane Addams' Hull House in Chicago was the flagship). According to Olasky, this movement would become the inspiration for governmental social work programs of the 1930s and the community action programs of the 1960s. Along with these developments, a new discipline, sociology, was emerging, which would leave its strong imprint on twentieth-century work among the poor. In general, these movements looked to the government as the proper agency to bring about the needed social changes and reforms.

These new currents of thought affected the charitable system in important ways. Professionals, rather than volunteers, would now tend to dominate. The roles of non-professionals would be reduced to that of fund-raising or giving money. This would bring an increasing social separation between donor and recipient. The old com-

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passion (the idea of suffering with the poor) was gone. With the coming of the Great Depression of the 1930s, the private charitable system was overwhelmed, and in stepped the government in the person of FDR and his New Deal.

The advent of the New Deal marked a definitive shift in the federal government's role in respect to society's needy. The cultural ethos of the work ethic, however, remained strong in America. This made it difficult for political leaders to act in terms of direct charitable relief. New Deal programs, therefore, often emphasized their temporary nature, or involved efforts to pay workers for actual work done (e.g., the Works Progress Administration). At the same time, New Deal leaders reiterated their support for the old work ethic. Their pronouncements notwithstanding, a subtle change in public attitudes toward personal responsibility and rugged individualism was taking place.

As late as the 1960s, the cultural bias against welfare still remained, not only among its administrators but also among its recipients. It was left to LBJ's Great Society to breach this cultural wall. Personnel belonging to, or in some way affiliated with, its Office of Economic Opportunity as well as the private National Welfare Rights Organization radicalized the poor so as to demand their full rights or entitlements. The welfare mentality among the poor became firmly implanted, and the number of welfare recipients ballooned.

Olasky's chapter on "The Seven Marks of Compassion" constitutes the heart of his study and of his critique. Seven basic ideas motivated the charity workers of a century ago: *affiliation*, that is keeping the individual's family, religious, or community ties strong so as to strengthen his sense of belonging; *bonding*, or developing a close personal relationship between the charity volunteer and the recipient, in order to coax and encourage the latter to self-sufficient status; *categorization*, or assigning individuals to different categories of need (e.g., the need for continuous relief, relief on a temporary basis, aid in a job search, or just designating someone as unfit for relief due to unwillingness to work); along with this went *discernment*, the willingness to separate worthy objects of charity from fraudulent ones; seeking the goal of long-term *employment* of all able-bodied heads of household so as to instill self-sufficiency and responsibility in the individual; placing emphasis on *freedom*, or the ability to work without governmental restrictions so as to improve one's lot in life over a period of time; finally, recognizing the relationship of the person to *God*, since men and women had spiritual as well as physical needs.

The presence of these principles gave traditional charities their great strength. Conversely, their absence in contemporary charity does so much to explain the spiritual and moral poverty of American compassion and its tragic social consequences: the decline in upward mobility of the poor; the weakened state of private charity; and the disintegrating state of marriage. These principles, Olasky contends, need to be reinserted and reintegrated into programs to aid the poor.

Olasky has set forth his case compellingly and clearly. One hopes that this book will act as a catalyst in bringing about a thorough discussion of the issues involved so that the needs of the poor can be properly addressed. □

Mr. Bazikian is a free-lance writer from Weehawken, New Jersey.

Failure and Progress: The Bright Side of the Dismal Science

by Dwight R. Lee and Richard B. McKenzie

Cato Institute • 1993 • 180 pages • $19.95 cloth; $10.95 paperback

Reviewed by William H. Peterson

Thomas Robert Malthus prophesied failure for mankind and so did much to inflict the invective of "the dismal science" on economics. In his 1798 *Essay on the*

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Principle of Population, Malthus held sexual appetite would constantly tend to propel population beyond production, setting in motion the triumph of abject scarcity: subsistence wages, disease, malnutrition, starvation, famine, death, and other unpleasant checks on population growth and rising living standards.

Dwight Lee, the Bernard B. and Eugenia A. Ramsey Professor of Private Enterprise at the University of Georgia, and Richard McKenzie, the Walter B. Gerken Professor of Enterprise and Society at the University of California-Irvine, reject such Malthusian doom and gloom. They hail capitalism as a vehicle for constructive change, as a means of bringing about, in the words of Joseph Schumpeter, "creative destruction."

Still, they accept the Malthusian idea of the reality of scarcity, limits, and opportunity costs. Man just can't do everything and have everything. Scarcity forces him to choose, and in choosing to make mistakes—but thereby to learn, to forge ahead. Choice helps explain why Malthus was wrong.

Lee and McKenzie point out that man is a lot more than a biological organism—worker, eater, baby-maker. Man thinks, and that's precisely what separates him from all other species. He can choose family size. He can choose to save, invest, invent. He can choose to forgo present consumption, create capital, engage in division of labor, trade goods with his fellow man, and accordingly accelerate production and technology.

To be sure, that acceleration involves some inevitable failures—mistakes. Progress is a kind of process of two steps forward and one step back. Lee and McKenzie note, for example, how the automobile inflicted failure on the investors and workers in the once vast horse-and-buggy industry. Even within an industry the pattern of progress and failure holds. The authors cite the brilliance of Nucor Steel in setting up nonunion minimills that have given old-line giants USX, Bethlehem, and Inland Steel a run for their money. Similarly Apple Computer started PC manufacture in a garage to challenge giant IBM, NCR, and Digital Equipment, with Apple itself becoming today an $8 billion giant.

Failure is part of a bigger picture, advise the authors, conceding that the consequences of competition can result in pain that strikes many as cruel, harsh, and unacceptable. Lee and McKenzie cite Henry Hazlitt's famous one lesson that the major source of error in economic understanding comes from the tendency "to concentrate on . . . short-run effects on special groups and to ignore . . . the long-term effects on the community as a whole."

So the authors see virtue in economic failure and failure in "political virtue." They write: "The biggest threat to the success of the market economy is not the self-correcting failures imposed by market competition, but the self-perpetuating failures imposed by political competition for government protection against the discipline of the marketplace."

That protection helps explain the counterproductivity of government tariffs, industrial policy, and welfare programs. Of our rising welfare underclass, Lee and McKenzie note that food stamps cost $13.5 billion against an initial program of $40 million in 1965. The Aid to Families with Dependent Children budget was $17.8 billion in 1986 compared with $1.7 billion in 1965. In this same period the annual cost of housing assistance to the poor surged to $13.3 billion from $300 million. Apparently Uncle Sam can support whatever size of the underclass he can afford.

I wonder what Parson Malthus, were he alive today, would think of widespread and persistent government failure. □

Dr. Peterson, adjunct scholar at the Heritage Foundation and former Lundy Professor at Campbell University, is working on a book on political economy.

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INDEX
THE FREEMAN
Volume 43
January-December 1993

Prepared by John Dogger and Beth Hoffman

NOTE: In page references, the number preceding the colon designates the month, the numbers following refer to pages. All articles have at least three entries—author, title, and subject—except in a few cases when the title and the appropriate subject coincide. Books reviewed are listed alphabetically by their author(s) on page 503; the names of their reviewers are included in the master index.

A

ADLER, Jonathan H. *See* Book reviews (Hess, Jr.)
ADVERTISING
  In praise of billboards (Person) 9:360–361
AHLSEEN, Mark
  Why government can't create jobs. 10:389–390
ALDER, Susan
  Education in America. 2:59–67
ALLEN, William R. and Dickneider, William
  Scholarship, leadership, and public works jobs. 3:103–104
AMERICAN educational establishment, 1993 (Hospers) 12:464–470
AMERICA'S impending brain drain (Huxtable) 3:96–100
AMES, Bruce N.
  Science and the environment. 9:343–344
ANDERSON, Sarah
  Oil drilling in Alaska. 9:362–363
ANIMALS
  Zoo, Inc. (Haarmeyer and Larson) 1:22–24
ANTITRUST regulation: back to the past (Armentano) 1:16–18
ARE Americans overfed? (McClure and Van Cott) 8:309–310
ARE there too many lawyers? (Fulda and Vincent) 1:19–20
ARGENTINA
  Life, death,and resurrection of an economy (Monson) 5:168–175
ARMENTANO, D.T.
  Antitrust regulation: back to the past. 1:16–18
ATTARIAN, John. *See* Book reviews (Kelly, Robertson)

B

BADEN, John A. and Ethier, Robert
  Linking liberty, economy, and ecology. 9:340–342
BAIRD, Charles W.
  Outlawing cooperation. 7:263–271
BANDOW, Doug
  Environmentalism: the triumph of politics. 9:332–339
  National service: utopias revisited. 8:301–305
  See also Book reviews (Wood, Staley)
BANFIELD, Eric-Charles
  The forgotten consumer. 3:105–106
  State health insurance regulations. 1:25–27
BANKING without regulation (L. White) 10:375–377
BARBARICK, Richard
  Government highways: unsafe at any speed. 6:210–213
BAST, Joseph
  What hunger insurance could teach us about health insurance. 11:431–434
BAUKNECHT, James R.
  Vietnam: a fate of its own. 5:181–185
BAZIKIAN, Daniel A. *See* Book reviews (Olasky)
BEANS, bombs, and bureaucrats (McCaffery) 5:186–188
BELLERUE, Albert R.
  Pulling the plug on the REA. 9:358–359
BENEFITS of variation (Edwards) 8:311–313
BENSON, Bruce
  Highway robbery. 7:253–255
BILLINGSLEY, K.L.
  The government baby-brokering business. 1:28–29
  Will constitution trump revolution in Eastern Europe? 5:176–180
BOETTKE, Peter J.
  From Marx to Mises: a review essay. 8:322–325
BOUDREAUX, Donald J.
  A life-saving lesson from Operation Desert Storm. 10:391–392
BRAINARD, D.K.
  Operation smile. 5:189–193
BUREAUCRACY
  Paying bureaucracies to run amok (North) 8:306–308
  Stewardship versus bureaucracy (Perry) 9:348–349
BUSINESS
  Hollywood's views of capitalism (Keating) 3:92–95
  Ethics and business (Opitz) 3:84–91

C

CAIN, Stephen
  The question still lives. 5:194–196
CAN voluntarism survive the taxman? (Payne) 4:137–138
CANGELLO, Vincent W.
  The consequences of managed competition. 11:436–437
CAPITALISM
  Cheap capitalism (Rogers) 8:313–314
  Hollywood's views of capitalism (Keating) 3:92–95
  In defense of property rights and capitalism (Machan) 6:219–225
CARSON, Clarence
  Thomas Jefferson: liberty and power. 4:141–148
CASE for happy endings (Worlton) 12:487–488
CASE for shopping at Kroger (Woodlief) 3:107–109
CAUSE of freedom begins with me (Koopman) 10:393–394
CHAITOW, Bill
  Part of the economy. 7:274–275
CHAMBERLAIN, John. *See* Book reviews (Duignan, *Freeman Classics*, Gross, Vedder, Payne)
CHALMERS, Thomas, and the poor laws (Thies) 12:491–493
CHEAP capitalism (Rogers) 8:313–314
CHILDREN, families
  For your own good (Clites) 8:315–316
  Government baby-brokering business (Billingsley) 1:28–29
  Little lessons in larceny (Madden) 12:479–480
  Parents and government (Simpson) 8:316–317
  Saving sick children from state science (Rogers) 6:214–218
CHODES, John
  Richard Cobden: creator of the free market. 3:110–115
CLASS exclusion notice (Swearingen) 3:101–102
CLEVELAND, Paul A.
  Re-regulating airlines. 6:226–229
CLITES, Roger
  For your own good. 8:315–316
  Macro mistakes. 12:478–479
COBDEN, Richard: creator of the free market (Chodes) 3:110–115
COMING financial collapse of Social Security (Ferrara) 11:438–447
COMMON good and the free rider (Tanner) 10:397–401
COMPETITION
  Consequences of managed competition (Cangello) 11:436–437
  Store sets (Montague) 7:272–273
CONFEDERATE States of America
  Question still lives (Cain) 5:194–196
CONSEQUENCES of managed competition (Cangello) 11:436–437
CONSUMER ethics (Rogers) 7:276–278
CONSUMERS
  Forgotten consumer (Banfield) 3:105–106
  Role of brands in consumer markets (Stuart) 7:282–284
  Store sets (Montague) 7:272–273
COSTS of tax and spend (McGinnis) 4:151–153
CROCKER, Brandon
  A nation of children. 12:489–490

D

DAVID, Anna
  Disestablishing public education. 2:68–71
DEFENDING freedom and the free society (Opitz) 1:4–13
DENIAL of rights through regulation (Klemmer) 6:204–206
DICKNEIDER, William (co-author). *See* Allen

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DiLORENZO, Thomas J.
The new industrial policy. 8:292–300
DISESTABLISHING public education (David) 2:68–71
DO no harm (Orient) 6:238
DO state and local fiscal choices matter? (Lile) 4:149–150
DOHERTY, Brian. *See* Book reviews (Greve)

E

EASTERN EUROPE
Learning from experience (Pongracic) 12:481–486
Operation smile (Brainard) 5:189–193
Will constitution trump revolution in Eastern Europe? (Billingsley) 5:176–180
ECO-JUSTICE (Orient) 9:357
ECONOMIC way of thinking (Nash) part 1, 10:372–374; part 2, 11:412–414; part 3, 12:460–463
ECONOMICS
Are Americans overfed? (McClure and Van Cott) 8:309–310
Benefits of variation (Edwards) 8:311–313
Common good and the free rider (Tanner) 10:397–401
Macro mistakes (Clites) 12:478–479
Your money—your choice (Pasour, Jr.) 10:383–385
ECUADOR
Beans, bombs, and bureaucrats (McCaffery) 5:186–188
EDUCATION for one's own sake (Read) 2:72–74
EDUCATION in America (Alder) 2:59–67
EDUCATION
American educational establishment, 1993 (Hospers) 12:464–470
America's impending brain drain (Huxtable) 3:96–100
Disestablishing public education (David) 2:68–71
Failure of American public education (Hood) 2:44–50
Homeschooling and educational choice (D. Peterson) 2:75–78
Toward a free market in higher education (Stuart) 12:470–474
EDUCATIONAL vouchers: the double tax (North) 2:51–58
EDWARDS, James Rolph
The benefits of variation. 8:311–313
EMPLOYMENT
Scholarship, leadership, and public works jobs (Allen and Dickneider) 3:103–104
Why government can't create jobs (Ahlseen) 10:389–390
ENVIRONMENT
Linking liberty, economy, and ecology (Baden and Ethier) 9:340–342
Market and nature (Smith, Jr.) 9:350–356
Oil drilling in Alaska (Anderson) 9:362–363
Overpopulation: the perennial myth (Osterfeld) 9:345–348
Science and the environment (Ames) 9:343–344
Stewardship versus bureaucracy (Perry) 9:348–349
ENVIRONMENTALISM: the triumph of politics (Bandow) 9:332–339
ETHICS and business (Opitz) 3:84–91
ETHIER, Robert (co-author) *See* Baden

F

FAILURE of American public education (Hood) 2:44–50
"FAIR share," politics of (North) 11:448–451
FEAR of individualism (Machan) 7:259–261
FERRARA, Peter J.
The coming financial collapse of Social Security. 11:438–447
FOR your own good (Clites) 8:315–316
FORGOTTEN consumer (Banfield) 3:105–106
FREE MARKETS
Why free markets are difficult to defend (Schansberg) 10:381–382
FREEDOM
Cause of freedom begins with me (Koopman) 10:393–394
Defending freedom and the free society (Opitz) 1:4–13
Is freedom an antiquated term? (Moore) 1:14–15
Thomas Jefferson: liberty and power (Carson) 4:141–148
FREEWAY to serfdom (Orient) 11:435–436
FRIEDMAN and North on vouchers (letters from M. Friedman and G. North) 7:285–286
FROM Marx to Mises: a review essay (Boettke) 8:322–325
FULDA, Joseph S. and Vincent, Patrick J.
Are there too many lawyers? 1:19–20

G

GARDNER, Scott
Rent control and the penultimate solution. 6:230–233
GARRISON, Roger W.
The trouble with Keynes. 10:386–388
GASTON, Leonard. *See* Book reviews (Burkett)
GORDON, Hal. *See* Book reviews (Jacobs)
GOVERNMENT baby-brokering business (Billingsley) 1:28–29
GOVERNMENT, growth of, in America (Moore) 4:124–136
GOVERNMENT highways: unsafe at any speed (Barbarick) 6:210–213
GOVERNMENT, proper role of
Thomas Jefferson: liberty and power (Carson) 4:141–148
GOVERNMENT regulation, planning, intervention
Antitrust regulation: back to the past (Armentano) 1:16–18
Banking without regulation (L. White) 10:375–377
Class exclusion notice (Swearingen) 3:101–102
Denial of rights through regulation (Klemmer) 6:204–206
Eco-justice (Orient) 9:357
Kosher cops (Sullum) 7:279–281
Medicine and the welfare state (Palyi) 11:421–430
National health care: medicine in Germany 1918–1945 (Micozzi) 11:416–420
New industrial policy (DiLorenzo) 8:292–300
Part of the economy (Chaitow) 7:274–275
Rent control and the penultimate solution (Gardner) 6:230–233
Route to 9066 (Moore) 8:320–321
Sexual harassment: what is it? (McElroy) 6:234–237
State health insurance regulations (Banfield) 1:25–27
GOVERNMENT'S war on property (Wollstein) 7:244–252
GRESHAM, Perry. *See* Book reviews (Wriston)
GROWING Toyotas, manufacturing soybeans (North) 1:30–32
GROWTH of government in America (Moore) 4:124–136

H

HAARMEYER, David and Larson, Elizabeth
Zoo, Inc. 1:22–24
HARRIS, Jr., T. Franklin. *See* Book reviews (Osborne)
HARRISS, C. Lowell. *See* Book reviews (Best)
HEALTH care, government regulation of
Consequences of managed competition (Cangello) 11:436–437
Do no harm (Orient) 6:238
Freeway to serfdom (Orient) 11:435–436
Medicine and the welfare state (Palyi) 11:421–430
National health care: medicine in Germany 1918–1945 (Micozzi) 11:416–420
Operation smile (Brainard) 5:189–193
Saving sick children from state science (Rogers) 6:214–218
State health insurance regulations (Banfield) 1:25–27
What hunger insurance could teach us about health insurance (Bast) 11:431–434
HIGHWAY robbery (Benson) 7:253–255
HOLLYWOOD'S views of capitalism (Keating) 3:92–95
HOMESCHOOLING and educational choice (D. Peterson) 2:75–78
HOOD, John
The failure of American public education. 2:44–50
HOSPERS, John
The American educational establishment, 1993. 12:464–470
HUXTABLE, Fulton
America's impending brain drain. 3:96–100

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I

IMMIGRATION—friend or foe? (McClure and Van Cott) 10:395–396
IN defense of property rights and capitalism (Machan) 6:219–225
IN praise of billboards (Person) 9:360–361
INDIVIDUAL rights, responsibilities
  Cause of freedom begins with me (Koopman) 10:393–394
  Class exclusion notice (Swearingen) 3:101–102
  Nation of children (Crocker) 12:489–490
  Requiring citizens to do evil (Pierone) 7:261–262
INDIVIDUALISM, fear of (Machan) 7:259–261
IS freedom an antiquated term? (Moore) 1:14–15

J

JEFFERSON, Thomas: liberty and power (Carson) 4:141–148
JUDGING politicians (R. White) 4:139–140
JURY nullification
  Requiring citizens to do evil (Pierone) 7:261–262

K

KEATING, Raymond J.
  Hollywood's views of capitalism. 3:92–95
  See also Book reviews (Bernstein)
KEYNES, trouble with (Garrison) 10:386–388
KIRZNER, Israel M. *See* Book reviews (Greaves)
KLEMMER, Zak and Jo Anne
  Denial of rights through regulation. 6:204–206
KOLAR, Elizabeth
  Toward a cashless society. 10:377–380
KOOPMAN, Roger
  The cause of freedom begins with me. 10:393–394
KORVES, Ross. *See* Book reviews (Goodman)
KOSHER cops (Sullum) 7:279–281

L

LABOR UNIONS
  Case for shopping at Kroger (Woodlief) 3:107–109
  Outlawing cooperation (Baird) 7:263–271
LAPP, Hannah B. *See* Book reviews (Gatto)
LARSON, Elizabeth (co-author). *See* Haarmeyer
LAW, legal services
  Are there too many lawyers? (Fulda and Vincent) 1:19–20
LEARNING from experience (Pongracic) 12:481–486
LIFE, death, and resurrection of an economy (Monson) 5:168–175
LIFE-SAVING lesson from Operation Desert Storm (Boudreaux) 10:391–392
LILE, Stephen E.
  Do state and local fiscal choices matter? 4:149–150
LINKING liberty, economy, and ecology (Baden and Ethier) 9:340–342
LITTLE lessons in larceny (Madden) 12:479–480

M

MACHAN, Tibor R.
  In defense of property rights and capitalism. 6:219–225
  The fear of individualism. 7:259–261
MACHEN, J. Gresham: a forgotten libertarian (Walker) 12:475–477
MACRO mistakes (Clites) 12:478–479
MADDEN, Russell
  Little lessons in larceny. 12:479–480
MARKET and nature (Smith, Jr.) 9:350–356
MARX, Karl—ideas of
  From Marx to Mises: a review essay (Boettke) 8:322–325
  Learning from experience (Pongracic) 12:481–486
McCAFFERY, James M.
  Beans, bombs, and bureaucrats. 5:186–188
McCLURE, James E. and Van Cott, T. Norman
  Are Americans overfed? 8:309–310
  Immigration—friend or foe? 10:395–396
McELROY, Wendy
  Sexual harassment: what is it? 6:234–237
McGINNIS, John D.
  The costs of tax and spend. 4:151–153
McINNIS, Daniel F.
  A subtle seizure. 6:207–209
MEDICAL care; *See* Health care.
MEDICINE and the welfare state (Palyi) 11:421–430
MEXICO: myths and reality (Whalen) 5:164–167
MICOZZI, Marc S.
  National health care: medicine in Germany 1918–1945. 11:416–420
MISES, Ludwig—ideas of
  From Marx to Mises: a review essay (Boettke) 8:322–325
MONEY, banking, inflation, credit
  Banking without regulation (L. White) 10:375–377
  Toward a cashless society (Kolar) 10:377–380
MONSON, Michael C.
  The life, death, and resurrection of an economy. 5:168–175
MONTAGUE, David
  Store sets. 7:272–273
MOORE, Stephen
  The growth of government in America. 4:124–136
MOORE, Wilma J.
  Is "freedom" an antiquated term? 1:14–15
  The route to 9066. 8:320–321
MORALITY in America (Ream) 7:256–258
MORALITY, ethics
  Consumer ethics (Rogers) 7:276–278
  Ethics and business (Opitz) 3:84–91
MULTICULTURALISM
  Route to 9066 (Moore) 8:320–321
MUSGRAVE, Gerald L. *See* Book reviews (Wasley)

N

NASH, Ronald
  The economic way of thinking:
    Part 1. 10:372–374
    Part 2. 11:412–415
    Part 3. 12:460–463
NATION of children (Crocker) 12:489–490
NATIONAL health care: medicine in Germany 1918–1945 (Micozzi) 11:416–420
NATIONAL service: utopias revisited (Bandow) 8:301–305
NEW industrial policy (DiLorenzo) 8:292–300
NORTH, Gary
  Education vouchers: the double tax. 2:51–58
  Growing Toyotas, manufacturing soybeans. 1:30–32
  Paying bureaucracies to run amok. 8:306–308
  Politics of the "fair share." 11:448–451

O

OIL drilling in Alaska (Anderson) 9:362–363
OPERATION Desert Storm, a life-saving lesson from (Boudreaux) 10:391–392
OPERATION smile (Brainard) 5:189–193
OPITZ, Edmund A.
  Defending freedom and the free society. 1:4–13
  Ethics and business. 3:84–91
OPITZ, Edmund A., tribute to (Sirico) 10:404–405
ORIENT, Jane M.
  Do no harm. 6:238
  Eco-justice. 9:357
  Freeway to serfdom. 11:435–436
OSTERFELD, David
  Overpopulation: the perennial myth. 9:345–348
OUTLAWING cooperation (Baird) 7:263–271
OVERPOPULATION: the perennial myth (Osterfeld) 9:345–348

P

PALYI, Melchior
  Medicine and the welfare state. 11:421–430
PARENTS and government (Simpson) 8:316–317
PART of the economy (Chaitow) 7:274–275

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PASOUR, Jr., E.C.
Your money—your choice. 10:383–385
PAYING bureaucracies to run amok (North) 8:306–308
PAYNE, James L.
Can voluntarism survive the taxman? 4:137–138
PERRY, Rick
Stewardship versus bureaucracy. 9:348–349
PERSON, Lawrence
In praise of billboards. 9:360–361
PETERSON, Dennis L.
Homeschooling and educational choice. 2:75–78
PETERSON, William H. *See* Book reviews (Bennett, Figgie, Jr., Lee, Murphey, Osterfeld)
PIERONE, Michael
Requiring citizens to do evil. 7:261–262
POLITICS
Judging politicians (R. White) 4:139–140
POLITICS of the "fair share" (North) 11:448–451
PONGRACIC, Ivan
Learning from experience. 12:481–486
POOR laws, Thomas Chalmers and (Thies) 12:491–493
PRIVATE property rights
Denial of rights through regulation (Klemmer) 6:204–206
Eco-justice (Orient) 9:357
Government's war on property (Wollstein) 7:244–252
Highway robbery (Benson) 7:253–255
In defense of property rights and capitalism (Machan) 6:219–225
In praise of billboards (Person) 9:360–361
Subtle seizure (McInnis) 6:207–209
PRIVATIZATION
Zoo, Inc. (Haarmeyer and Larson) 1:22–24
PULLING the plug on the REA (Bellerue) 9:358–359

Q

QUESTION still lives (Cain) 5:194–196

R

RAISING taxes stifles initiatives—invisibly (Stevens) 8:318–319
REA, pulling the plug on (Bellerue) 9:358–359
READ, Leonard
Education for one's own sake. 2:72–74
REAM, Norman S.
Morality in America. 7:256–258
RELIGION
J. Gresham Machen: a forgotten libertarian (Walker) 12:475–477
Kosher cops (Sullum) 7:279–281
Morality in America (Ream) 7:256–258
Saving sick children from state science (Rogers) 6:214–218
RENT control and the penultimate solution (Gardner) 6:230–233
REQUIRING citizens to do evil (Pierone) 7:261–262
RE-REGULATING airlines (Cleveland) 6:226–229
ROBBINS, John W. *See* Book reviews (McDonald, Wilcox)
ROGERS, A.M.
Cheap capitalism. 8:313–314
Consumer ethics. 7:276–278
Saving sick children from state science. 6:214–218
ROLE of brands in consumer markets (Stuart) 7:282–284
ROUTE to 9066 (Moore) 8:320–321
RUSSELL, Jim. *See* Book reviews (Gore)

S

SAVING sick children from state science (Rogers) 6:214–218
SCHANSBERG, D. Eric
Why free markets are difficult to defend. 10:381–382
SCHOLARSHIP, leadership, and public works jobs (Allen and Dickneider) 3:103–104
SCIENCE and the environment (Ames) 9:343–344
SEMMENS, John C. *See* Book reviews (Balling)
SEXUAL harassment: what is it? (McElroy) 6:234–237
SIMPSON, Duncan A.
Parents and government. 8:316–317
SIRICO, Robert
A tribute to Edmund A. Opitz. 10:404–405
SMITH, Adam—why he burned his clothes (West) 10:402–403
SMITH, Jr., Fred L.
The market and nature. 9:350–356
SOCIAL SECURITY
Coming financial collapse of Social Security (Ferrara) 11:438–447
STATE health insurance regulations (Banfield) 1:25–27
STEELE, Peter F. *See* Book reviews (Felten)
STEVENS, Richard W.
Raising taxes stifles initiatives—invisibly. 8:318–319
STEWARDSHIP versus bureaucracy (Perry) 9:348–349
STORE sets (Montague) 7:272–273
STUART, William G.
The role of brands in consumer markets. 7:282–284
Toward a free market in higher education. 12:470–474
SUBTLE, seizure (McInnis) 6:207–209
SULLUM, Jacob
Kosher cops. 7:279–281
SWEARINGEN, Virgil and Lois
Class exclusion notice. 3:101–102

T

TANNER, Mack
The common good and the free rider. 10:397–401
TAXES, taxation
Can voluntarism survive the taxman? (Payne) 4:137–138
Costs of tax and spend (McGinnis) 4:151–153
Do state and local fiscal choices matter? (Lile) 4:149–150
Educational vouchers: the double tax (North) 2:51–58
Raising taxes stifles initiatives—invisibly (Stevens) 8:318–319
TAYLOR, Jeff. *See* Book reviews (Rathje)
THIES, Clifford F.
Thomas Chalmers and the poor laws. 12:491–493
THOMPSON, Grant. *See* Book reviews (Pollot)
TOWARD a cashless society (Kolar) 10:377–380
TOWARD a free market in higher education (Stuart) 12:470–474
TRADE, international
Growing Toyotas, manufacturing soybeans (North) 1:30–32
Forgotten consumer (Banfield) 3:105–106
Immigration, friend or foe? (McClure and Van Cott) 10:395–396
Richard Cobden: creator of the free market (Chodes) 3:110–115
TRANSPORTATION
Antitrust regulation: back to the past (Armentano) 1:16–18
Class exclusion notice (Swearingen) 3:101–102
Government highways: unsafe at any speed (Barbarick) 6:210–213
Re-regulating airlines (Cleveland) 6:226–229
TRIBUTE to Edmund A. Opitz (Sirico) 10:404–405
TROUBLE with Keynes (Garrison) 10:386–388

V

VALUES
America's impending brain drain (Huxtable) 3:96–100
Case for happy endings (Worlton) 12:487–488
VAN COTT, T. Norman (co-author). *See* McClure
VIETNAM: a fate of its own (Bauknecht) 5:181–185
VINCENT, Patrick J. (co-author). *See* Fulda
VOLUNTARY action
Can voluntarism survive the taxman? (Payne) 4:137–138
Life-saving lesson from Operation Desert Storm (Boudreaux) 10:391–392
National service: utopias revisited (Bandow) 8:301–305

W-Z

WALKER, Daniel F.
J. Gresham Machen: a forgotten libertarian. 12:475–477
WEST, Edwin G.
Why Adam Smith burned his clothes. 10:402–403

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WHALEN, Christopher
Mexico: myths and reality. 5:164–167
WHAT hunger insurance could teach us about health insurance (Bast) 11:431–434
WHITE, Lawrence H.
Banking without regulation. 10:375–377
WHITE, Rick
Judging politicians. 4:139–140
WHY Adam Smith burned his clothes (West) 10:402–403
WHY free markets are difficult to defend (Schansberg) 10:381–382
WHY government can't create jobs (Ahlseen) 10:389–390
WILL constitution trump revolution in Eastern Europe? (Billingsley) 5:176–180
WOLLSTEIN, Jarret B.
The government's war on property. 7:244–252
WOODLIEF, Anthony
The case for shopping at Kroger. 3:107–109
WORLTON, Karina
The case for happy endings. 12:487–488
YOUR money—your choice (Pasour, Jr.) 10:383–385
ZOO, Inc. (Haarmeyer and Larson) 1:22–24

BOOK REVIEWS

(Reviewer's name in parentheses)

BALLING, Robert C. *The heated debate: greenhouse predictions vs. climate reality* (Semmens) 9:367
BENNETT, James T. and DiLorenzo, Thomas J. *Official lies: how Washington misleads us* (W.H. Peterson) 4:156–157
BERNSTEIN, Peter L. *Capital ideas: the improbable origins of modern Wall Street* (Keating) 3:118–119
BEST, Gary Dean. *Pride, prejudice, and politics: Roosevelt versus recovery, 1933–1938* (Harriss) 3:117–118
BURKETT, Larry. *The coming economic earthquake* (Gaston) 7:287–288
DiLORENZO, Thomas J. (co-author). *See* Bennett
DUIGNAN, Peter and Gann, L. H. *The rebirth of the west* (Chamberlain) 12:494–495
FELTEN, Eric. *The ruling class: inside the imperial congress* (Steele) 11:455
FIGGIE, Jr., Harry E., with Gerald J. Swanson. *The coming collapse of America and how to stop it* (W.H. Peterson) 10:407–408
FREEMAN *Classic Series* (Chamberlain) 10:406–407
GAEBLER, Ted (co-author). *See* Osborne
GALLAWAY, Lowell (co-author). *See* Vedder
GANN, L. H. (co-author). *See* Duignan
GATTO, John Taylor. *Dumbing us down: the hidden curriculum of compulsory schooling* (Lapp) 2:79–80
GOODMAN, John C. and Musgrave, Gerald L. *Patient power: solving America's health care crisis* (Korves) 4:157–159
GORE, Al. *Earth in the balance* (Russell) 9:364–365
GREAVES, Bettina Bien, and McGee, Robert W., compilers. *Mises: an annotated bibliography: a comprehensive listing of books and aritcles by and about Ludwig von Mises* (Kirzner) 11:453–455
GREVE, Michael S. and Smith, Jr., Fred L., eds. *Environmental politics: public costs, private rewards* (Doherty) 9:366–367
GROSS, Martin. *Government racket: Washington waste from A to Z* (Chamberlain) 1:34–35
HESS, Jr., Karl. *Visions upon the land: man and nature on the western range* (Adler) 8:327–328
JACOBS, Michael T. *Short-term America: the causes and cures of our business myopia* (Gordon) 1:39–40
KELLY, Brian. *Adventures in porkland: how Washington wastes your money and why they won't stop* (Attarian) 4:154
LEE, Dwight R. and McKenzie, Richard B. *Failure and progress: the bright side of the dismal science* (Peterson) 12:497–498
McDONALD, Lawrence Patton. *We hold these truths* (Robbins) 4:160
McGEE, Robert W. (co-compiler). *See* Greaves
McKENZIE, Richard B. (co-author) *See* Lee
MURPHEY, Dwight D. *Liberalism in contemporary America* (W.H. Peterson) 1:38–39
MURPHY, Cullen (co-author). *See* Rathje
MUSGRAVE, Gerald L. (co-author). *See* Goodman
NAAS (co-editor) *See* Wilcox
OLASKY, Marvin. *The tragedy of American compassion* (Bazikian) 12:495–497
OSBORNE, David and Gaebler, Ted. *Reinventing government: how the entrepreneurial spirit is transforming the public sector from schoolhouse to statehouse, city hall to the Pentagon* (Harris, Jr.) 5:198–200
OSTERFELD, David. *Prosperity versus planning: how government stifles economic growth* (Peterson) 11:455–456
PAYNE, James L. *Costly returns: the burden of the U.S. tax system* (Chamberlain) 8:326–327
POLLOT, Mark L. *Grand theft and petty larceny, property rights in America* (Thompson) 4:155–156
RATHJE, William and Murphy, Cullen. *Rubbish: the archaeology of garbage* (Taylor) 5:197–198
ROBERTSON, A. Haeworth. *Social Security: what every taxpayer should know* (Attarian) 11:452–453
SHACKMAN (co-editor) *See* Wilcox
SMITH, Fred L., Jr. (co-editor). *See* Greve
STALEY, Sam. *Drug policy and the decline of American cities* (Bandow) 6:239–240
STEELE, David Ramsay. *From Marx to Mises: post-capitalist society and the challenge of economic calculation* (Boettke) 8:322–325
SWANSON, Gerald J. (co-author). *See* Figgie
VEDDER, Richard and Gallaway, Lowell. *Out of work: unemployment and government in twentieth-century America* (Chamberlain) 3:116–117
WASLEY, Terree P. *What has government done to our health care?* (Musgrave) 4:159–160
WILCOX, Shackman, and Naas, eds. *The right guide: a guide to conservative and right-of-center organizations* (Robbins) 4:160
WOOD, Gordon S. *The radicalism of the American Revolution* (Bandow) 1:35–38
WRISTON, Walter. *The twilight of sovereignty* (Gresham) 7:287

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